

DOCUMENT RESUME

ED 141 575

CE 011 478

TITLE The Utilization and Effectiveness of CETA Title I
Special Grants to Governors. Summary Final Report.

INSTITUTION MDC, Inc.

SPONS AGENCY Employment and Training Administration (DOL),
Washington, D.C.

PUB DATE Apr 77

NOTE 92p.

EDRS PRICE MF-\$0.83 HC-\$4.67 Plus Postage.

DESCRIPTORS Administrative Agencies; Administrative Policy;
Agency Role; Federal Aid; *Federal Legislation;
Federal State Relationship; Grants; *Manpower
Development; *Organizational Effectiveness; Policy
Formation; *Program Administration; Resource
Allocations; *State Agencies; State Boards of
Education; Vocational Education

IDENTIFIERS *Comprehensive Employment and Training Act; *State
Manpower Services Councils

ABSTRACT

Based upon a research project by a private nonprofit organization, this report provides a general analysis of findings from onsite studies in nine States of CETA (Comprehensive Employment and Training Act) Special Grants to Governors (Rhode Island, New Jersey, West Virginia, Georgia, Illinois, Kansas, Texas, California, Washington). The report begins with a 6-page summary of the findings, followed by detailed examinations of specific aspects of the study: (1) Assessments of State Manpower Services Councils (SMSC) operations, activities, and staff support, with emphasis on State prime sponsor functions and SMSC responsibilities envisioned under CETA section 107 and supported by 1% allocations, (2) identification of State manpower services and other special projects authorized under CETA section 106 and supported by 4% funds for State services, with emphasis on the extent to which these funds have been used to further the aims expressed in CETA sections 106(b) and 106(c), and (3) analysis of planning procedures, program activities, and results associated with State sponsor administration of CETA 5% grants for vocational education services, with emphasis on decisionmaking procedures and relationships involving State sponsors, local sponsors, and State vocational education boards. The report concludes with observations and recommendations for improving special grants activities. Seven supporting tables are interspersed throughout the 85-page report. (BL)

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Summary Final Report: THE UTILIZATION AND EFFECTIVENESS
OF CETA TITLE I SPECIAL GRANTS TO GOVERNORS

Submitted to ORD/ETA

United States Department of Labor

U.S. DEPARTMENT OF HEALTH,
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MDC, Inc.
Chapel Hill, North Carolina

April, 1977

CE 011 478

Preface and Acknowledgments

The research project upon which this report is based was conducted by MDC, Inc., a private non-profit corporation, and was performed under contract with the Employment and Training Administration of the United States Department of Labor. The purpose of the project was to provide DOL national office policy and program officials with detailed information on the utilization and the results of CETA Title I Special Grants to Governors.

Nine states -- Rhode Island, New Jersey, West Virginia, Georgia, Illinois, Kansas, Texas, California, and Washington -- were selected by DOL for on-site studies which were carried out during the months of September-November, 1976.

Specific aspects of the study included:

- 1) Assessments of SMSC operations, activities, and staff support, with emphasis on state prime sponsor functions and SMSC responsibilities envisioned under CETA Sec. 107 and supported by one percent allocations.
- 2) Identification of state manpower services and other special projects authorized under CETA Sec. 106 and supported by four percent funds for state services, with emphasis on the extent to which these funds have been used to further the aims expressed in CETA Sec. 106(b) and 106(c).
- 3) Analysis of planning procedures, program activities, and results associated with state sponsor administration of CETA Sec. 112 funds (five percent grants) for vocational education services, with emphasis on decision-making procedures and relationships involving state sponsors, local sponsors, and state vocational education boards.

During the period of field research, information was obtained in each state from a variety of persons familiar with special grants activities: SMSC members and staff, state agency representatives, local prime sponsor staff, recipients of four percent grants, and administrators of five percent voc-ed projects. Findings were documented in nine case study reports intended to provide the DOL national office with appropriate and timely information upon which to base future legislative and policy recommendations. This summary final report provides

general analysis of case study findings, and is organized in the following manner:

- Part I -- Summary of Findings
- Part II -- SMSCs and One Percent Grants
- Part III -- Four Percent Grants for State Manpower Services
- Part IV -- CETA Voc-Education Services and the Five Percent Grant
- Part V -- Observations and Recommendations

MDC wishes to acknowledge the considerable contributions of the many individuals who assisted in project planning, execution, and analysis of research data. Prime sponsor staff in each of the states -- as well as numerous DOL regional and national office officials -- extended their full cooperation and assistance in providing information and identifying key data sources. Special credit should also go to Joan Wills and Chuck Carter of the National Governors' Conference CETA Coordination Unit for their insight, advice, and support throughout this project.

Finally, MDC extends its appreciation for the excellent professional work of the people upon whose efforts the success of this project depended -- the field researchers responsible for on-site data-gathering and case study preparation. Their interest, enthusiasm, and ability were extraordinary, and were consistently reflected by the exceptional quality of their individual and collective contributions.

George B. Autry
Edward F. Dement
MDC, Inc.

April, 1977

Research Staff for Special Grants Study

CALIFORNIA: Mr. John Walsh
Olympus Research Corporation
1290 24th Avenue
San Francisco, California 94112

GEORGIA: Mr. Edward F. Dement
Special Grants Project Officer
MDC, Inc.
Post Office Box 1057
137 East Rosemary Street
Chapel Hill, North Carolina 27514

ILLINOIS: Dr. Roy Rodgers Research Associate:
School of Education Dr. Frank H. Cassell
Northwestern University Graduate School of Management
2003 Sheridan Road Northwestern University
Evanston, Illinois 60201

KANSAS: Dr. Anthony L. Redwood
School of Business
Summerfield Hall
University of Kansas
Lawrence, Kansas 66045

NEW JERSEY: Dr. Jack Chernick
Institute of Management and Labor Relations
Department of Research, Van Nest Hall
Rutgers University
New Brunswick, New Jersey 08903

RHODE ISLAND: Mr. William J. Spring, Director Research Associate:
Regional Institute on Employment, Mr. Jay H. Ostrower
Training, and Labor Market Policy School of Journalism
Boston University Boston University
270 Bay State Road
Boston, Massachusetts 02215

TEXAS: Dr. Robert W. Glover, Associate Director
Center for the Study of Human Resources
University of Texas
107 West 27th Street
Austin, Texas 78712

WASHINGTON: Mrs. Bonnie Snedeker
Route 7, Box MC-20
Brainbridge Island
Washington 98110

WEST VIRGINIA: Dr. Neil A. Palomba, Chairman
Department of Economics
Armstrong Hall
West Virginia University
Morgantown, West Virginia 26506

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Part I. Summary of Findings: CETA Special Grants to Governors

ONE PERCENT GRANTS AND STATE MANPOWER SERVICES COUNCILS

The composition of SMSC membership in all states is generally consistent with provisions of federal law and administrative regulations. In practice, however, most SMSC's are dominated by professional staff administrators affiliated with recipients of CETA funds -- usually prime sponsors or contracted service deliverers. Client, community organization, and general public influence in SMSC deliberations is marginal, but is nevertheless greater than the negligible business community involvement apparent in most states.

Organizational locations of SMSCs affect their chances for success. SMSCs appear to be least effective when situated within sub-cabinet level agencies of state government, especially when that agency is in competition with others for available CETA dollars. These problems are exacerbated when balance-of-state and SMSC responsibilities are not clearly separated.

Absence of perceptible interest or personal involvement from governors has hampered SMSC effectiveness, and has hindered states in their dealings with local prime sponsors. Governors are generally more interested in four percent state services grants than in SMSC or five percent voc-ed matters.

In eight states, one percent funds are properly being used primarily for SMSC staff support, although several state sponsors have used significant portions of their grants for other purposes. Personnel employed with one percent funds often perform duties other than those directly associated with SMSC activities, and SMSCs appear to have little influence upon one percent grant utilization decisions.

Emphasis and focus of SMSC attention is more often determined by state prime sponsor staff than by SMSC members, and most SMSC decisions appear to be identical to staff recommendations. In the majority of states, SMSCs appear to be passive listeners and endorsers of staff decisions rather than initiators of new actions and policies. Spontaneous SMSC attention to matters not proposed by staff was rare, and generally limited to topics of immediate concern to CETA prime sponsors, e.g., federal DOL regulations affecting prime sponsor operations.

SMSCs are seldom perceived as primary instruments for development of statewide policies, and most continue to operate without benefit of statewide comprehensive manpower or economic development policies. In the absence of such policy, turf-protection often diminishes chances for real cooperation or coordinated goal-reaching efforts among prime sponsors, state agencies, and other SMSC interests. In many states, SMSC meetings appeared to be too infrequent to permit continuity of effort, substantive contribution from members not involved in day-to-day program operations, or significant impact upon statewide policies and operations.

Although progress is being made, SMSCs generally continue to sputter in carrying out their responsibilities under CETA Sec. 107. Specifically:

- SMSC review of prime sponsor plans is essentially a technicality, due in part to the strictly advisory nature of the SMSC role under CETA, and also due to the brief time permitted for SMSC action prior to DOL approval of prime sponsor plans.
- SMSC monitoring of prime sponsor activities has seldom been productive. In most states, findings are rarely used and generally have no effect upon program operations. Evidence suggests that SMSC policing of prime sponsor performance may constitute an inappropriate expectation for an advisory body also charged with promoting harmony and cooperative effort among independent prime sponsors. A popular compromise has been to "look at the good things, and ignore the bad."

-- Annual reporting functions are being carried out by staff without significant contribution from SMSCs. Most reports are historical documents containing narrative and tabular descriptions of past activities, but generally without analysis or recommendations.

Overall, councils are most effective as information exchange forums for manpower practitioners. Despite their limitations, SMSCs are perceived as necessary by a majority of their members and CETA prime sponsors. In several states, prime sponsors commented that if SMSCs had not been mandated by law, similar bodies would have sprouted spontaneously and of necessity. Nevertheless, accomplishments of SMSCs have thus far been modest in most states, and performance has seldom exceeded the levels required for purposes of legal and technical compliance.

FOUR PERCENT GRANTS FOR STATE MANPOWER SERVICES

Decisionmaking for four percent grants is partially vested in some SMSCs, but funding decisions are largely controlled by governors and/or state prime sponsor staff. Most often, SMSCs approve proposal criteria while leaving project selection to state staff.

Four percent grant utilization is generally characterized by an absence of planning for the delivery of specific services. Inadequate planning and random solicitation of four percent proposals has led to political consideration in the awarding of grants in some states.

Provisions of CETA Sec. 106 are subject to interpretation broad enough to justify almost any activity, and four percent funds in some states support activities that bear only tenuous relationship to manpower services. Most four percent funding is being used to support optional activities under CETA Sec. 106(c), rather than required functions under Sec. 106(b). Overall, there has been scant attention to principles of coordination between state and local services. There has been little demonstration, and less innovation. State

prime sponsor projects offering technical assistance to local sponsors appear to have been insignificant in all but two states.

Heaviest investments of four percent funds are for continuation of state programs or for sustaining state agency services. A remarkably high percentage of total funding is going to the single purpose of operating programs for offenders on a quasi-permanent basis, to the exclusion of other services under the Act. There is little funding, by comparison, to local sponsors or non-governmental organizations.

There has been little real monitoring or evaluation of four percent project results to date, although several state sponsors are now increasing such efforts. However, utilization of program learnings, dissemination of findings, and replication of successful programs remain extremely rare.

FIVE PERCENT GRANTS FOR CETA VOCATIONAL EDUCATION SERVICES

Five percent voc-ed grant planning and negotiation of nonfinancial agreements have been much smoother in Fiscal 1977 than in CETA's initial two years. Prime sponsors and vocational education administrators have apparently found solutions to technical problems that led to delays in program implementation and to the subsequent accumulation of sizable funding surpluses during Fiscal 1975 and 1976.

Nevertheless, five percent grants continue to be a source of frequent conflict among parties involved with their administration. While two states involved in this study have demonstrated that the present pass-through arrangements for voc-ed funds can work as intended, indications elsewhere are that five percent grants and programs have become administrative muddles.

There are indications that CETA Sec. 112 has now achieved its purpose of bringing CETA prime sponsors face-to-face with state vocational education

officials. In doing so, however, Sec. 112 has taken five percent voc-ed planning and administration out of the CETA mainstream, and it is generally perceived as requiring the involvement of too many parties in a system that is too complicated, filled with uncertain responsibilities, and generally frustrating to prime sponsors and vocational educators alike.

There is little indication that state boards of vocational education have significant influence upon five percent plans and programs, or that those boards pay particular attention to program results. Instead, greatest influence upon voc-ed grants appears to come from state agency administrators, many of whom disagree with CETA prime sponsors on both the intent and the allowable uses of five percent funds.

In six states involved in this study, voc-ed agencies have imposed administrative limitations prohibiting the use of funds for enrollee allowance payments. In addition, some states refuse to permit funds to be spent for training in schools outside the state voc-ed system. And in at least four instances, voc-ed grants have run into state legislative restrictions perhaps not contemplated by CETA's authors.

Overall, there is little evidence that CETA Sec. 112 has led to improved voc-ed planning and program operations in the majority of states. In several states, the present system is perceived as being weaker than under MDTA. Training activities are largely traditional classes and individual referral arrangements, and few states have shown clear linkages between skills development and new employment opportunities.

While major problems with execution of nonfinancial agreements have apparently been overcome, the process remains cumbersome and time-consuming.

As a result, voc-ed planning in Fiscal 1977 is still more concerned with form than with substance. Many state sponsors and voc-ed agencies say they have no way to determine even the number of total CETA enrollees receiving services under five percent and regular Title I contracts. Course content, quality of instruction, enrollee retention, and placement results are largely unknown quantities beyond the scope of present SMSC or voc-ed board attention.

* * * * *

Perhaps the single most significant learning to be distilled from this study is that decentralization both generates and nurtures diversity, because of pre-existing variations among states. Clearly, those variations may take several forms; i.e., differences in organization, philosophy, and tradition, or in geographic, economic, and public administration circumstances.

Such diversity is not inherently good or bad. It does, however, explain why any descriptions such as those contained in this summary are not wholly generalizable. Moreover, it suggests that any policies and implementing practices at the federal level should be couched in terms of principles rather than in hard, detailed specifications.

Part II. State Manpower Services Councils and One Percent Special Grants

CETA Sec. 107 requires that state prime sponsors establish State Manpower Services Councils to perform certain review and coordinative functions within the decentralized federal/state/local employment and training system. Financial support for SMSC staff and operations comes from one percent special grants, authorized under CETA Sec. 103. Responsibility for appointing the SMSC and for supporting its activities rests with the state prime sponsor.

Before attempting to assess services council activities and one percent grants in nine states, field researchers for this project first documented the context within which the councils function -- elements such as SMSC structure, organizational location, staffing, and decisionmaking procedures. Due to their apparent influence upon subsequent SMSC activities and accomplishments, the contextual aspects of SMSC operations are treated in section A below, followed by assessments of SMSC activities, performance, and accomplishments in section B.

A. SMSC Structure, Organization, and Staffing

Findings of this study indicate that State Manpower Services Councils have been established in general compliance with CETA's statutory and regulatory provisions. Although each SMSC possesses its own personality and organizational characteristics, all were found to have membership as prescribed by law, and all are being provided with direct staff support. Nevertheless, most are finding it difficult to carry out the full range of duties under CETA Sec. 107.

Organizational Location Within State Government

As prime sponsors for their respective states, governors have authority for appointing SMSCs and for providing appropriate staffing and other support

services. CETA's Title I Special Grants not only provide governors with funds to offset costs of SMSC operations, but also with discretionary four percent funds for state manpower services under Sec. 106. In addition, governors receive special voc-ed five percent allocations to provide financial assistance, through state vocational education boards, to furnish voc-ed services in areas served by CETA prime sponsors.

Clearly, governors have been given both responsibility and financial assistance for certain important pieces of the decentralized CETA system. It appears, however, that the responsibility and the money has not led most governors to locate SMSCs and related special grants activities within their executive offices.

Of the nine study states, only three -- Illinois, Texas, and West Virginia -- had SMSC's located within governors' executive offices. In two states -- New Jersey and Washington -- SMSC's were housed administratively within state cabinet-level agencies. (The New Jersey agency, the Department of Labor and Industry, is headed by an independent elected official.) In the remaining four states -- California, Kansas, Georgia, and Rhode Island -- SMSC functions and staff support are presently lodged within sub-cabinet-level agencies of state government. (See Figure I, p. 9)

If there has been a trend concerning the administrative location of SMSCs under CETA, it has been away from rather than toward attachment to offices of the governors. In Georgia and in Kansas, SMSC and special grants activities were housed in governors' offices during Fiscal 1975, but are now situated in sub-cabinet agencies. In Rhode Island, the pre-CETA Governor's Office of Manpower Affairs has been moved to a line agency within the State Department of Economic Development.

FIGURE I

ORGANIZATIONAL LOCATIONS OF STATE SERVICES COUNCILS

Governor's Executive Offices:

Illinois -- Governor's Office of Manpower and Human Development
 Texas -- Governor's Budget and Planning Office
 West Virginia -- Governor's Manpower Office

Cabinet-level Agencies:

New Jersey -- State Department of Labor and Industry
 Washington -- Office of Community Development

Sub-Cabinet-level Agencies:

California -- Employment Development Department, State Department
 of Health and Welfare*
 Georgia -- Employment Service Agency, State Department of Labor*
 Rhode Island -- Division of Job Development and Training, State
 Department of Economic Development
 Kansas -- Division of Employment, State Department of Human
 Resources**

*SMSC located within State Employment Service

**SMSC located in same Division with ES, WIN, and State U/I System

The findings of this study in no way imply that locating an SMSC and its support staff within the governor's office guarantees better plans, better programs, or better coordination. The findings do indicate, however, that SMSCs located within sub-cabinet line agencies of state government -- especially within those agencies competing for available CETA dollars -- have met with little success in their efforts to review prime sponsor plans, coordinate state and local prime sponsor activities, or otherwise carry out the provisions of CETA Sec. 107. The capacity of line agency staff to carry out the work of the SMSC -- and simultaneously to act in the best interests of the agency paying their salaries -- is frequently questioned by program operators and prime sponsors in states where such situations occur.

SMSC Voting Membership

"More than anything else, this council seems to be preoccupied with axe-grinding between prime sponsors and DOL over federal regulations and administrative or technical trivialities." Coming from a prominent private-sector SMSC representative who also voiced concern over what he called "the lack of significant accomplishment" by the council on which he has sat for some two and one-half years, that comment seems to underscore this study's findings concerning SMSC membership and participation.

As shown in Figure II, page 10, council membership in each of the nine states meets the minimum criteria required by Sec. 107. Nevertheless, the most dominant SMSC interest groups in each state were either prime sponsors or a loose coalition of prime sponsors and program operators -- usually staff or administrative affiliates of agencies and units of government receiving CETA funds. In Texas, over three-fourths of SMSC members represent prime sponsors or program operators; in Georgia, two-thirds of the SMSC's voting membership comes from those groups. In other states, prime sponsors and other CETA grant recipients constitute approximately 50% of SMSC membership.

FIGURE II

STATE MANPOWER SERVICES COUNCIL VOTING MEMBERSHIP,
BY CATEGORY OF REPRESENTATION (November, 1976)

	<u>Cal.</u>	<u>Ga.</u>	<u>Ill.</u>	<u>Ks.</u>	<u>N.J.</u>	<u>R.I.</u>	<u>Tex.</u>	<u>Wash.</u>	<u>W. Va.</u>	<u>Average</u>
Local Prime Sponsors	6	9	10	10	8	4**	20	12	4***	31.1%
State Employment Service	1	1	1	1	1	1	1	1	1	3.4%
State Voc-Ed Agency or Public Education	2	1	3	2	1	2	2	3	1	6.4%
Elected Officials (n.e.c.)	--	1	--	1	1	4	--	--	3***	3.8%
Business & Industry	1	2	4	2	2	3	1	3	4	8.2%
Organized Labor	2	3	2	1	2	2	1	3	1	6.4%
Community Organizations	--	4	2	3	2	9	6	1	1	10.5%
Client Representatives	4	5	3	3	1	--	--	7	4	10.1%
Other State Agencies	1	--*	3	3	4	6	3	3	6	10.9%
Other	1	3	3	3	2	3	3	5	1	9.0%
Total Membership	18	29	29	29	24	34	37	38	26	29.3 (100%)

*Twelve state agencies hold non-voting memberships.

**All represent the City of Providence, Rhode Island's single local sponsor.

***West Virginia is statewide consortium; four local officials are from localities eligible for prime sponsorship.

On the other extreme -- the interest group least represented on SMSC's -- is the private sector business community. In percentage terms, private-sector involvement is greatest in West Virginia (4 of 26) and in Illinois (4 of 29), followed by Rhode Island (3 of 34) and Washington (3 of 38). SMSCs in New Jersey, Georgia, and Kansas had two private-sector representatives apiece, while SMSCs in two of the largest states, California and Texas, each have but one business representative.

Combined representation from client groups and community organizations ranged from 12% in New Jersey to 33% in Georgia, and averaged 20-25% in all other states.

Prime sponsors, state agencies, and program operators -- those with vested or hoped-for financial interests -- were generally most active participants in SMSC and subcommittee meetings, at least in terms of attendance. Direct private-sector influence upon SMSC deliberations was generally insignificant except in Washington and Illinois, where private-sector representatives presently chair their SMSCs. Significant involvement or impact from client groups and community organizations is difficult to identify; when it has come, it has generally been from those groups and organizations receiving CETA funds for program operation.

Most conspicuous by their absence have been elected officials at either the state or local levels. In all states but Texas and West Virginia, local prime sponsors are represented by professional staff, not by elected officials. (West Virginia, a statewide consortium without local primes, includes the governor, four elected officials from the state's two largest counties, plus two others from smaller localities. The West Virginia SMSC, however, was found to be practically dormant.) Although the Governors of Georgia and West Virginia are listed as SMSC chairman, none of the governors in the nine states study presently participate in council meetings.

In gross terms, manpower practitioners dominate SMSC membership and control matters discussed during SMSC meetings as well as subsequent SMSC decisions.

SMSC Subcommittees

All states except Rhode Island have developed subcommittees, but there are great variations in types, importance, activity, and work performed. Few clear patterns have emerged concerning subcommittees; Kansas, for example, has a separate SMSC subcommittee for each CETA prime sponsor in the state, while Illinois presently has three standing subcommittees plus eight ad-hoc working committees. In general terms, state CETA staff and SMSC members perceive their subcommittees as serving constructive purposes, allowing small groups of SMSC members to study certain items in some detail in order to present recommendations to a larger SMSC membership.

As they currently exist, however, subcommittees in at least two states have prompted negative comments from other SMSC members who feel that the subcommittee system prevents the larger council from grasping important issues. As one council member put it, "when the state staff and the subcommittee come in with their minds already made up, it's pretty hard for the rest of the council to do anything but go along with it."

Contrasts in levels of subcommittee activity are evident. All but two of Illinois' eleven standing and ad-hoc committees were active, while the seven Kansas subcommittees were just beginning to function at the start of Fiscal 1977. In Georgia, each of four council subcommittees met twice during calendar 1976. In New Jersey, however, four of six subcommittees are relatively inactive; in West Virginia, three of four are inactive.

SMSC Staff Support and Use of the One Percent Special Grant

SMSCs in all nine states now have full-time professional staff support, although the level of that support ranges from one person in the states of Rhode Island and Washington to twenty-one in California.

In general terms, one percent funds are being used for the purpose of providing staff as intended under the Act. That does not mean, however, that all one percent funds in each state are being applied to SMSC staffing and operational support. In several states, including Georgia and Illinois,* there is no attempt on the part of the state sponsor to differentiate staff work assignments according to source of funds. In Georgia, one percent money not only covers costs of two persons assigned to SMSC duties, but also provides 50% of salary costs for the state employment service deputy director and his administrative assistant, 100% of salary costs for the ES planning division director who oversees all CETA planning for the balance-of-state, and other clerical and administrative staff who share SMSC, special grants, and balance-of-state responsibilities. Conversely, a four-member technical assistance unit funded from Georgia's four percent money provides much of the support presently given to SMSC subcommittees. In Illinois, one percent funds not only provide an SMSC staff unit of sixteen,* but also seven positions in the state CETA director's office, and two positions in the MIS and Fiscal management section.

In California, the one percent grant covers the cost of a staff of fifty persons assigned to various duties within the California Employment and Training Office, and includes the twenty-one professional staff and three clerical employees assigned to SMSC duties. The California office has

*Lack of differentiation between 1% and 4% Illinois staff assignments means that 16 people are not exclusive SMSC staff.

consistently operated at less than full staff strength, however, and considerable funding surpluses have accumulated. Actual expenditure figures on the one percent grant were not available from California officials.

However, the following comment -- contained in a June, 1976 letter to the state CETA office from the federal DOL rep assigned to California special grants -- expresses concern over the lack of state attention to staffing:

"Over its two-year life, the most characteristic administrative feature of the State CETA Office has been the extent of its continuing staff vacancies. ...More than numbers is significant; key positions have remained unfilled for months, making decisions about priorities, development of basic administrative guidelines, implementation of an already-delayed four percent plan, and unified direction of the Office impossible to accomplish."

In Texas, considerable sums of one percent money were not used to support SMSC activities, but instead went into special projects at the discretion of the SMSC. In Fiscal 1975, the SMSC earmarked 41% of its \$648,000 allocation to finance six projects to perform studies with statewide application. In Fiscal 1976, some \$300,000 in one percent money was used for demonstration projects. In Fiscal 1977, plans call for 53% of the state's \$711,000 one percent allocation to be used for special projects.

Smaller states have also used one percent funds in manners perhaps not envisioned by CETA's authors. Rhode Island, where the SMSC exists largely on paper, spent none of its FY '75-'76 one percent grants (totalling \$148,000) for SMSC staff support, but did transfer \$138,000 from the one percent account to fund special projects. Washington's council draws its support from a state staff which shares both SMSC and balance-of-state responsibilities; this year, direct SMSC staff support will account for an estimated 30% of the state's \$285,000 one percent allocation.

There is no indication that any of the nine states presently uses one percent money to cover the administrative costs associated with four percent

projects. Several states which did so in the past years now charge four percent administrative costs to the four percent state manpower services grant. Nevertheless, some of those same states have accumulated significant one percent surpluses which they later converted to four percent activities. In net terms, one percent allocations may therefore still be covering four percent administrative costs in those states.

It is clear that CETA makes distinctions between one percent and four percent money -- distinctions not apparent at the level of many state prime sponsors. Those sponsors can account for expenditures of one and four percent funds according to grant source, but often do not make such distinctions in terms of staff and other services.

Separation of SMSC and Balance-Of-State Staff and Councils

Prior studies have noted that in states where SMSCs and balance-of-state activities were housed within the same agency, or where SMSCs and balance-of-state planning councils shared the same staff, balance-of-state affairs tended to take priority over SMSC responsibilities.

These observations were generally confirmed in at least six states where SMSC and balance-of-state responsibilities fall within the same organizational structure, but only in Rhode Island have balance-of-state duties detracted extensively from SMSC responsibilities. Illinois and New Jersey have shown that SMSC and balance-of-state responsibilities can be lodged within the same division and department of state government without balance-of-state pressures swallowing up SMSC duties. Both states have consolidated their CETA operations within single agencies, but have clearly delineated SMSC staff and balance-of-state staff responsibilities.

Washington -- which like the state of New Jersey has most of its total geographic area absorbed by local prime sponsor jurisdictions -- maintains a shared-staff arrangement, with personnel for both SMSC and balance-of-state housed in a single agency, and with the agency director serving as staff to the council. Costs of running Washington's SMSC are estimated at 30% of the one percent grant, with the remainder apparently underwriting balance-of-state staff activities.

In Georgia, SMSC and balance-of-state responsibilities are lodged within the state employment service, and the majority of staff funded by one percent grant perform both SMSC and balance-of-state duties. Even so, the one percent grant in Georgia has accumulated an unspent and unplanned balance of better than \$250,000 during CETA's brief history -- an amount greater than Georgia's planned one percent expenditure for SMSC support throughout Fiscal 1977.

SMSC Responsibilities and Decisionmaking Procedures

CETA Sec. 107 sets out specific responsibilities for SMSCs -- responsibilities that may have been more ambitious than realistic, based on observations in this third year of CETA's existence. While the act itself is specific in terms of the responsibilities it assigns, those responsibilities may be less than clear to many state sponsors and SMSC members. Field researchers in at least half the states reported that SMSC members they interviewed -- especially those not employed by CETA sponsors -- seemed only vaguely aware of SMSC responsibilities under the Act, and even less aware of how to go about discharging those responsibilities effectively.

Perceptions of SMSC responsibility and SMSC role with respect to Title I Special Grants vary widely from state to state, and sometimes just as widely among individual SMSC members in the same state. One of the most active

members of Georgia's SMSC said, for instance, that perhaps the council's greatest shortcoming was its failure to evaluate the performance of 4% projects which it is asked to approve annually. Two other equally active members -- one of them the chairman of the SMSC's state service subcommittee -- disagree, and felt that to review projects in depth "would project the council into an inappropriate role of overseeing the operations of other state agencies."

Several patterns have emerged, however, and are briefly treated below:

- 1) Frequency of meetings appears to have a direct relationship to the level of SMSC effectiveness. Councils in Illinois, New Jersey, and Texas meet monthly, and have generally made more progress than their counterparts elsewhere.* SMSCs in California and Washington normally meet quarterly; Georgia's council met twice during the past year, and its members express frustration over the lack of council accomplishment. The SMSC in West Virginia has had little impact on state operations, and is considered dormant. The Rhode Island SMSC did not meet for an eight-month period between April-December, 1976, and has played almost no role in the state's CETA effort.
- 2) Responsibility for one percent grants rests with state agency staff or with SMSC staff, but not with SMSCs. Plans for use of one percent funds are sometimes taken to state councils as matters of information, but none of the nine SMSCs studied has been involved in deciding how to spend funds for council support. The Texas SMSC does determine how to spend one percent funds not utilized for direct staff support, but in most states, SMSC members are not familiar with one percent grant details. In three states, SMSC members were unaware of significant accumulations of unspent one percent funds.
- 3) Responsibility for four percent state services grants is apparently subject to a wide range of interpretations. In West Virginia, Rhode Island, and Kansas, SMSC's have had practically no role in deciding how four percent funds would be spent. SMSCs in Illinois and Washington, however, seem to enjoy near autonomy in decisions affecting four percent funds. In California, New Jersey, and Georgia, SMSCs have roles generally limited to approving of recommendations prepared by staff, sometimes with (but often without) SMSC subcommittee participation.
- 4) Partial responsibility for five percent voc-ed grants belongs with SMSCs in all but one of the study states. The extent of that responsibility, however, is minor, and usually consists of having the SMSC develop or approve allocation procedures for five percent funds. None of the state councils presently has responsibility for approving planned uses of voc-ed grants, or for ascertaining the results of CETA voc-ed expenditures.

*The Kansas SMSC, which had met irregularly during Fiscal 1976, now also conducts monthly meetings as it steps up its activities. However, the Illinois Council shifted from monthly to bi-monthly meetings as of July, 1976.

- 6) Participation of governors in SMSC decisionmaking is seldom visible and often appears not to exist at all. In six states, governors have shown little interest in SMSC affairs or in the responsibilities placed upon them under Sec. 107. In two states where gubernatorial involvement in CETA was perceived strongest, SMSCs were listless and met rarely. In two other states having strong and active SMSCs, governors took no part in SMSC or special grant decisionmaking. It may be significant that in none of the nine states does a governor personally participate in meetings or other activities of SMSCs.
- 7) Use of SMSC subcommittees varies greatly from state to state. Subcommittees in Texas, Georgia, Illinois and New Jersey appeared to make significant contributions to eventual positions or decisions reached by SMSCs. By comparison, subcommittees played practically no role in the states of Rhode Island, West Virginia, and Kansas.

Overall, this study has identified few similarities among SMSC roles and responsibilities in the nine states. Although the Comprehensive Employment and Training Act sets out several clear SMSC responsibilities, differences in state prime sponsor interpretation are significant.

The most consistent characteristics of SMSC decisionmaking have been

- 1) an absence of visible gubernatorial participation, 2) perfunctory endorsement of positions or policies recommended by state CETA staff or SMSC subcommittees, and 3) far greater attention to matters of form (allocation formulas or proposal criteria) than to matters of substance (what's being accomplished with allocated funds or whether proposed programs are those most needed in a particular state or locality).

B. SMSC Activities, Results, and Accomplishments

The clear consensus of state CETA administrators and SMSC support staff interviewed during this study was that SMSCs are performing the duties prescribed by CETA Sec. 107. Many SMSC members shared that opinion, although a significant number found it difficult to cite evidence of positive SMSC results. Other members -- especially those representing business, client groups, labor, community organizations, or interests not receiving CETA funds -- frequently felt that SMSCs had accomplished little.

Field researchers for this project found that while most of the state manpower services councils meet minimum standards necessary for technical compliance with federal law and DOL regulations, none has yet succeeded in mastering the full range of duties under Sec. 107. And only in limited instances have SMSCs appeared to progress beyond the role which most members and staff agree they perform best -- that of information exchange forum.

SMSC Review of Prime Sponsor Plans

"Review" of prime sponsor plans by SMSCs is essentially a hollow technicality, due in part to inadequate time permitted for SMSC review prior to DOL approval of prime sponsor plans, and due in part to the generally 'advisory' nature of council responsibility under CETA.

In at least six states, review and comment -- if carried out at all -- was perfunctory, came after DOL approval of plans, or was conducted by state CETA staff rather than by SMSC's. In three states -- Illinois, Texas, and New Jersey -- state staff and SMSC members have initiated formal review procedures and have attempted to conduct annual reviews in keeping with CETA's intent. Yet the results of their efforts have been minimal in two states, and thus far futile in the third.

In Texas, where local prime sponsors dominate the SMSC membership, council members receive copies of local prime sponsor plans. Those plans are subsequently reviewed in subcommittees by SMSC members and staff, usually with a representative of the local sponsor being reviewed in attendance. Comments from the subcommittee reviews are not put into written form however, and they are neither forwarded to the local prime sponsor nor to the DOL Regional Office. The attitude of those involved in conducting the reviews is to avoid potentially controversial subjects. Prime sponsors find it comfortable to assume a posture of "you stay off my turf, and I'll stay off yours."

In New Jersey, state service council staff has developed a more elaborate two-stage process for reviewing annual Title I plans. During the month preceding DOL Regional Office approval of prime sponsor plans, the SMSC conducts a cursory review to determine in gross terms whether or not the plan is acceptable; i.e., whether it complies technically with DOL regulations and whether the plan narrative provides adequate grounds for proposed program strategies. The second stage of review comes after DOL approval of prime sponsor plans, and consists of detailed analysis performed by specialists from the state office staff who concentrate on specific aspects of each prime sponsor's plan; i.e., use of Wagner-Peyser services, linkages with other state agencies, use of available labor market information, etc. When the individual analyses have been completed, state staff meets as a group to develop summary statements, outlining strengths and weaknesses and offering recommendations for change. The summaries are then shared with prime sponsors and with sub-state planning regions.

In spite of the thoroughness of New Jersey's approach, results are difficult to document. By the time prime sponsors are informed of SMSC staff findings, their plans have already been reviewed, perhaps revised, and approved by the DOL Regional Office. Under those circumstances, prime sponsors are not likely to be very concerned over what to them appear to be academic questions. Those interviewed during this study described the review as "benign," or as "a pat on the shoulder" in cases where no deficiencies were cited. One sponsor whose plan was not treated so kindly replied only that the SMSC staff was no more competent than his own to judge quality in the document.

Illinois has assigned its annual review and comment responsibilities to the SMSC's Program Review Committee, which receives staff summaries of prime sponsor plans. Because Illinois sponsors submit their plans to the SMSC and to DOL simultaneously, time for review and comment is a major limitation. Prime sponsors are not notified of questions about their plans during the review process. Following the review, letters containing subcommittee comments are sent simultaneously to DOL and to the local prime sponsors.

During the FY'77 review process, the subcommittee recommended that one prime sponsor's plan be disapproved by DOL, and that approval of another plan be withheld because it appeared to be incomplete. Reaction from one of the sponsors was mild, because the sponsor had already received a letter from DOL approving the plan before the SMSC's subcommittee comments were received. Reaction from the other sponsor was swift and forceful; contact was made with DOL (which had already approved the plan), with the local congressman, and with members of the sponsor's advisory council. Within ten days after the letter recommending disapproval was sent to the local sponsor and to DOL, another letter followed from the state office retracting the earlier recommendations, and attributing the original action to a "communication process breakdown."

At best, the results of review and comment activities have been to inform state staff -- and to a lesser extent, SMSC members -- of what programs and services are proposed in various localities. Prime sponsors generally do not view the review process as a priority task, and there have been no indications in any state that review and comment has led to significant changes or improvements in prime sponsor plans. In CETA's Third Year, the process continues to be largely inconsequential, even in those states where greatest effort has been demonstrated. In other states, review and comment has amounted to something less.

Review of State Agency Plans for Services in Prime Sponsor Areas

Field researchers found little evidence that SMSC's are reviewing the plans of state agencies for providing services to prime sponsors. Staff reviews of some state agency plans -- Vocational Education, WIN, ES, and Title XX, for instance -- were reported in the states of Texas, Washington, and New Jersey. However, there has been no indication in any state that SMSC review of state agency plans has resulted in recommendations for improved services from non-CETA agencies.

It appears that in most states, SMSC members have little interest in non-CETA plans. In states where staff has reviewed state agency plans and summarized their findings, there is no indication that SMSC's have done more than receive those findings as matters of information. (SMSC members in Washington have noted within the past year that an absence of access to state agency plans and program results has constrained the council from carrying out its coordinative responsibilities.)

SMSC Monitoring of Prime Sponsor Programs

SMSC monitoring of prime sponsor programs is often little more than a duplication of federal DOL statistical review, and is not significant in most states.

In California and Rhode Island, no SMSC or staff monitoring activity has been reported, although in Rhode Island, one SMSC member has received a contract to perform statistical evaluation of several prime sponsor and special grants programs -- an evaluation which the federal regional office said could have easily been compiled from data already available in their own files.

In West Virginia, state CETA staff develops monthly monitoring reports which they apparently use for internal administrative purposes. There is no indication, however, that the West Virginia SMSC -- which meets semi-annually -- uses the reports.

In Washington, state CETA staff does periodic desk-top reviews, but has an informal understanding with prime sponsors to stay out of field operations and on-site monitoring activities. By comparison, SMSC staff in Texas visit program operators in all local sponsor areas on an annual basis. The staff, however, still considers monitoring to be a sensitive matter, and feels that good relations with prime sponsors depend on avoiding confrontations in monitoring. This has led the SMSC to take a "positive approach" to monitoring. According to one SMSC official, "If we see something good, we point it out; if we see something bad, we don't say anything."

One innovative approach to monitoring prime sponsor programs has shown up in New Jersey, where state staff develops surveys on specific components of prime sponsor activity statewide, rather than attempting to assess overall program performance of individual sponsors. That approach has resulted in a series of rigorous reports covering a wide range of specific subjects; those reports are made available to prime sponsors who may then compare their own activities with those of other sponsors. Interviews with several prime sponsors indicate, however, that little use is being made of the reports -- many sponsors feel they're being deluged with paper, and most of the reports are apparently being shelved "to be examined at some unspecified future date."

Overall, it appears that monitoring -- like several other aspects of SMSC responsibility under CETA -- is subject to great differences in interpretation and subsequent action on the part of the state sponsor. It has been particularly

ineffective in states such as California and Georgia, where it is a responsibility of staff employed by a major deliverer of CETA services (State ES). In other states, including Illinois, monitoring and evaluation is perceived by staff as a "policing" responsibility that conflicts with other roles involving mutually supportive relations between the state and local sponsors. Emphasis, therefore, has been placed upon state and local consultation and technical assistance relationships, and not upon monitoring and evaluation.

Coordination of State and Local Prime Sponsor Programs

Although CETA makes numerous direct and implicit references to coordination and cooperation among prime sponsors and state agencies delivering services in prime sponsor areas, it appears that no one is quite sure how to define "coordination," or what "cooperation" really consists of.

In New Jersey, it is felt that cooperation and coordination among prime sponsors and other agencies can only be effected by providing opportunities for exchange of views and information. Absent any power to compel cooperation, the SMSC and its staff must rely on building an atmosphere in which the parties will allow joint efforts to materialize. By spreading relevant information and bringing state and local representatives together, the state hopes cooperation will evolve. Cooperation in doing what? Coordination of which activities? No one seems to know; the general consensus is that coordination of state agencies and prime sponsors "leaves much yet to be done."

In Texas, SMSC members and staff agree that coordination of state manpower activities is a key SMSC function, and generally claim that better coordination has been one of the SMSC's major accomplishments to date. Yet questions regarding the nature of that coordination evoked answers such as the following:

-- The informal settings of SMSC meetings provide prime sponsors with the opportunity to rub shoulders with state agency executives.

-- Since six major state agencies are on the SMSC, they have the opportunity to see plans of various prime sponsors and keep up-to-date generally on CETA activities in Texas.

-- State agency representatives also occasionally make presentations to the full SMSC regarding activities of their agency relevant to CETA concerns.

-- The SMSC has worked with various state agencies to co-fund research projects of mutual interest.

-- State agency personnel often accompany SMSC staff on monitoring visits to prime sponsors, especially when the function of the monitoring includes examining the linkages between program efforts and CETA.

In most other states, especially in those where SMSC's meet as seldom as twice a year, field researchers had difficulty ascertaining the extent of SMSC influence upon cooperation or coordination. While hesitant to say there had been none, SMSC members, state staff, and prime sponsor personnel could seldom cite specific examples of increased coordination. Often, evidence suggested that little or no coordination was taking place.

For instance, within the metropolitan area of Atlanta, Georgia, CETA responsibility is now divided among six local sponsors and the balance-of-state, each serving a fragment of a single labor market area. There are no indications that the SMSC has attempted to bring sponsors together to discuss how services might be pooled for mutual benefit; each sponsor has its own set of plans and priorities, its own planning and administrative staff, and its own package of services. At least one of the sponsors prohibits its enrollees from enrolling in training institutions outside their county of residence, on the grounds that it would be politically unwise to spend the county's dollars for services rendered by another county's agencies, even when these services are unavailable locally.

Prime sponsors interviewed in California say that while the council and staff have considered ways of improving cooperation and coordination between prime sponsors, the SMSC has "not yet discovered the means by which this can be accomplished." They add that SMSC and state CETA office operations have had no effect -- good, bad, or indifferent -- on their operations.

It appears that coordination -- where it exists -- largely consists of smoothing out rough spots that crop up as different agencies and prime sponsors attempt to implement programs while protecting their own interests. One barrier to coordination and cooperation -- at least at the level of an SMSC -- may be that in most states SMSCs are attempting to orchestrate badly-fragmented manpower and economic development systems. Of the nine states studied, only Rhode Island appeared to have a comprehensive manpower and economic development policy. The Rhode Island SMSC, however, has not participated either in the creation or the implementation of that policy.^{1/}

Elsewhere, the absence of such overall policy has apparently led CETA prime sponsors and program operators to stake out and protect their respective pieces of turf, thus reducing the chances for intersponsor or interagency coordination in reaching shared goals. In none of the study states has an SMSC

^{1/}The case of Rhode Island offers an interesting paradox. On the one hand, Congressional intent for the use of one percent funds has been largely ignored, and the SMSC has not functioned. On the other hand, the governor has been aggressively involved in a state-run manpower and economic development effort which he termed (upon leaving office), "the best in the nation." Without involving the SMSC, the governor and his economic development officials have used balance-of-state Title I funds and the 5% voc-ed grant to finance job training for a new General Dynamics shipbuilding operation which relocated to Quonset, Rhode Island, following the shutdown of Quonset Naval Base in 1973. Thus, while Rhode Island's CETA system may not be in compliance with the letter of the law concerning SMSCs and the use of special grants, the state had created an innovative program by integrating both ES and voc-ed services into its economic development efforts. In that sense, Rhode Island has clearly carried out the intent of the law.

evolved into the central policy-maker for statewide manpower or economic development, nor has one adopted a systematic coordination or planning role in manpower.

Annual Reports to Governors

As required under Sec. 107, all states involved in this study have submitted annual reports to governors, although several states' FY '76 reports were still under preparation and not available for inspection at the time field work was conducted.

In general, annual reports have been technical compliance documents, are usually prepared by staff rather than by councils or council subcommittees, contain information that is largely historical in nature, and are generally accorded low priority both in preparation and in utilization.

Typically, CETA annual reports appear to consist of loosely organized staff recapitulations on a limitless number of subjects; summaries of CETA legislation, descriptions of planning processes used, summaries of allocations for various programs and sponsors, assorted enrollee data taken from prime sponsor statistical reports, and occasional descriptions of programs funded during the report period.

Two important elements -- analysis and recommendations -- are generally absent from these reports. The reports do not tell governors or other intended readers whether certain planning procedures have worked satisfactorily, whether various programs are achieving their intended results, whether allocations are being expended in timely fashion and for appropriate purposes, or whether significant problems exist in planning, administration, or program operation.

Of the nine states, only Washington included SMSC recommendations in its report to the governor. Those recommendations, developed by staff in

consultation with the council's Governor's Report Subcommittee, included five urging the governor to take positions on various aspects of the state/federal relationship, while a sixth requested gubernatorial support of council efforts to obtain plans from a number of federally-funded state agencies. There were no recommendations concerning manpower policy, planning, or programming in the state.

Even Texas, which produced an elaborate and professional annual report for Fiscal 1975, ultimately had little more than a fancy public relations document on its hand when the report was made available for distribution in December, 1976 -- some eighteen months after it was transmitted from the SMSC to the Governor. Despite the evidence of considerable staff effort involved in its preparation, the report contained no analysis of statewide manpower activities, and no recommendations to prime sponsors, to state agencies, or to the Governor concerning coordination of manpower efforts or improvement of manpower services.

Conclusions

On the basis of this assessment, conducted at the beginning of CETA's third year of existence, SMSC's have generally failed to live up to implied legislative expectations. SMSCs in each of the study states met minimum requirements for membership, and their activities were generally sufficient to constitute technical compliance with specific requirements of CETA. In most states -- especially those in which SMSCs met frequently and regularly -- councils have become useful conduits for exchange of information among manpower practitioners. Otherwise, there is little to suggest that councils have produced significant accomplishments.

SMSCs in most states are not highly visible entities; none of those in the nine study states are perceived as the states' principle instruments for manpower or economic policy development. With many of them situated at sub-cabinet agency levels of state government, SMSCs appear to have had little effect on coordination of services statewide, and their involvement in planning has been negligible.

Many SMSC members -- especially those not employed by recipients of CETA funds -- are only vaguely aware of their roles and responsibilities, while the more numerous prime sponsor and program operator elements of SMSC membership generally tend to place their own interests foremost in council deliberations.

Review and comment on annual prime sponsor plans has thus far been a futile activity, as underscored when the Kansas council recently asked its federal representative whether prime sponsors would be required to take some action on the SMSC's recommendations. Came the response; "prime sponsors aren't required to make any changes except those required by federal regulation."

Monitoring of prime sponsor and state agency services has produced few positive results. Even in those states demonstrating considerable effort to implement monitoring strategies, there is practically no evidence of that effort having led to improved programming or better coordination.

Yet despite the absence of profound accomplishment in any state, no one seems to be advocating the abolition of SMSCs. There is general agreement that while SMSCs may not have realized their proponents' expectations, neither have they been failures. Comments from state and local prime sponsor officials in several states indicated that had CETA not required the creation of SMSCs, something like them would have materialized spontaneously, growing from the need to share information, discuss problems, and exchange ideas.

Part III. Four Percent Grants for State Manpower Services

CETA Sec. 106 places with the state prime sponsor certain broad responsibilities for activities and services generally beyond the range of local prime sponsor capacity. Some -- including the assurance of state agencies' cooperation, coordination of employment services financed under Wagner/Peyser, exchange of information among prime sponsors, coordination of all manpower plans statewide, and elimination of duplicatory services -- are required under Sec. 106(b). Others -- including the delivery of state services in local sponsor areas, special programs for rural areas, dissemination of labor market data, providing technical assistance at no cost to local prime sponsors, and the development of model programs -- may be provided at the option of the state sponsor under Sec. 106(c). Funds to support these required and optional state manpower services are supplied through four percent special grants to governors.

In assessing the use of these funds, field researchers examined three major aspects of four percent activities: Decisionmaking activities, funding and actual uses, and results and learnings. Findings are summarized in sections A, B, and C below.

A. Decisionmaking Procedures Affecting State Manpower Services

The nine states involved in this study have little in common in terms of decisionmaking for state manpower services projects. Some have carefully developed proposal criteria and procedures for four percent funding; others have none. Several SMSCs play a significant role in determining the eventual nature of state manpower services projects; others have no perceptible impact.

In at least three states, governors play no role in four percent decisions; in four states, gubernatorial influence upon those decision is perceptible, but nonetheless leaves room for participation and input from staff and SSMC sources; in the remaining two states, governors dominate the four percent grant decisionmaking process.

It has been noted in Part II that gubernatorial involvement in CETA affairs has been negligible in most states. The four percent state manpower services grant, however, represents the one aspect of CETA which appears to attract significant interest from governors.

In West Virginia, decisions on four percent funds have been considered the near-exclusive prerogative of a governor who recently concluded eight consecutive years in office. Although the state services council is said to have "approved" the governors actions, there is no indication that the West Virginia council influences four percent utilization decisions. In Fiscal 1976, for instance, all 4% funds were used to underwrite staff costs for operation of the Governor's Manpower Office, on the premise that since the state was a single consortium with no local sponsors, use of four percent for state staff services would indirectly free up more Title I funds for delivery of program services. When DOL's regional officials declined to permit the same use of state services funds in Fiscal 1977, the governor used all of the state's four percent allocation to assist the creation of a public transportation system in the city of Wheeling. Similarly, the governor of Kansas has exercised his authority to direct funds to programs in the state's corrections system.

In New Jersey, Georgia, Washington, and Texas, governors play less direct roles, but nevertheless appear to have some degree of influence upon

eventual four percent grant decisions reached by staff of council deliberations. In Illinois, Rhode Island, and California, however, there are no indications that governors take part in any four percent grant decisions.

Conversely, SMSCs in West Virginia and Kansas have thus far played insignificant roles in determining four percent grant utilization. In Georgia, Rhode Island, and California, state CETA staff appears to play the dominant role in four percent decisions, although the Georgia council is beginning to have some impact through its state services subcommittee. In Illinois, New Jersey, Texas, and Washington, SMSCs and state staff share major responsibilities for four percent grant decisions, with occasional acquiescence to gubernatorial preferences.

Aside from the two states in which governors appear to make four percent grant decisions with relative autonomy, the basis for determining what kinds of state manpower services to render elsewhere varies considerably. Generally, the process consists of having state staff select projects for funding based upon criteria adopted by state councils or council subcommittees. In five states, proposals for state manpower services projects are generally submitted in response to state-issued Requests for Proposals (RFPs). In Georgia and Rhode Island, however, there is no RFP process; state staff largely decides what services should be rendered, who should provide those services, and how much funding should go into each.

Of the five states extending RFPs for state services projects, all but one have set out general criteria and have invited proposals for unspecified services; i.e., virtually anything that can be justified within the legal provisions of CETA and any additional constraints placed by state councils

or staff. Only in Texas has the RFP process evolved to a more formal state of specifying 1) the purpose of proposal solicitation, 2) the specific services to be performed, 3) grantee selection criteria, and 4) maximum funding available for the specific services sought.

In general terms, it appears that the mechanics of four percent grant determination are being handled according to the personality of each state, and largely through a process of trial and error. The Texas system in Fiscal 1977 was much more sophisticated -- and functioned far more smoothly -- than the Texas approach for Fiscal 1975, when open solicitation for project proposals produced so many applicants that the governor had to intervene to assure that certain preferred applicants received funding. Illinois, Washington, and New Jersey are among the states that appear to have arrived at accommodations that permit staff and council to share grant approval responsibilities. In California, however, the SMSC was swamped with more than 400 proposals submitted in response to two general RFPs issued in Fiscal 1975 and 1976. The result has been that state CETA staff now decides which proposals are to be funded, using only general criteria approved by the SMSC.

In the majority of states, however, it appears that the four percent grant determination process is characterized by an absence of real planning. Many persons interviewed during this study expressed concern that project funding more often depended upon proposal-writing and oral presentation skills than upon program substance. Others felt that while four percent projects were generally providing services that were perceived as legitimate, no determination had been made that those services were particularly needed. Some have suggested that the four percent allocation has been little more than a grab-bag, with numerous grabbers available. There was general agreement among observers in several states that lack of planning and systematic

solicitation/selection of proposals has led to considerable political influence in the awarding of grants. Even in states such as Texas and New Jersey, where the four percent grant process is more open than elsewhere, field researchers agreed that grant determination remains subject to liberal doses of informed political judgment.

B. Four Percent Funding and Actual Uses

Regardless of differences in grant planning and project determination procedures, it is clear that four percent grants to governors are perceived as being useful, and that in the majority of cases funds are being used for constructive purposes. Moreover, the uses to which four percent funds are being put are consistent with those permitted under present national legislation. However, legislative intent is apparently interpreted so broadly that almost any activity constitutes compliance; e.g., bus drivers in a West Virginia transportation system; conferences for Georgia women; or "Manpower English as a Second Language" in Rhode Island.^{2/}

Total available funding for state manpower services projects during Fiscal Years 1975-1977 ranged from a low of \$1,044,000 in Rhode Island to a high of approximately \$20,500,000 in California. For the nine states involved in this study, combined four percent grants for the three fiscal years represented an investment of more than \$62 million.

Although four percent allocations may not have been sufficient to provide all those services and activities that some state sponsors would like to conduct,

^{2/}Some field researchers have suggested that "Manpower English" has already become a second language, and that policymakers might consider making the Rhode Island program mandatory nationally.

it does appear that funding has been sufficient to accommodate those services upon which state sponsors have placed priority. In addition, most states apparently accumulated sizable unspent four percent surpluses during Fiscal Years 1975 and 1976. For instance, Georgia received some \$3.1 million in four percent allocations during Fiscal 1975 and 1976, and showed an unspent surplus of some \$845,000 at the start of Fiscal 1977. Of Illinois' \$6.7 million state services allocations for the two fiscal years, \$1.3 million was carried over into Fiscal 1977. In New Jersey, a \$1.9 million surplus accrued during the same period, while in California, records indicated that two-thirds of the state's \$13.9 million allocation (75-76 combined) remained unspent as of June, 1976.

<u>State</u>	<u>Total 4% Funding FY '75-'76</u>	<u>Est. Unspent Start of FY '77</u>
California	\$ 13,883,567*	\$ 9,302,000*
Georgia	3,077,863	845,583
Illinois	6,743,827	1,332,239
Kansas	1,181,620	66,506
New Jersey	5,217,000	1,903,000
Rhode Island	741,802	59,642
Texas	6,393,503	138,000
Washington	3,873,720	1,342,000
West Virginia	1,575,854	154,000
TOTALS	\$ 42,688,756	\$ 14,988,970

*(Does not include "fifth quarter," 1976)

As indicated by the preceding table, four percent allocations to the nine states totalled some \$42.7 million during Fiscal Years 1975 and 1976. Unspent funds during the same period amounted to more than one-third of total money available.

At first glance, it might appear that underexpenditure of state services funds constitutes a problem of significant proportions -- that these accumulations indicate that state sponsors cannot utilize present allocations effectively. However, of the nearly \$15 million in unspent four percent funds reported above, more than 60% was confined to a single state. In other states, it generally appeared that plans and contracts for four percent projects had been executed in acceptable fashion, although the states of Georgia, Illinois, New Jersey, and Washington showed unspent surpluses in the range of 20-35% at the time grants were closed out at the end of Fiscal Year 1976.

Major Uses of State Manpower Services Funds

Overall, it appears that states have placed far greater emphasis upon "optional" services under Sec. 106(c) than upon the "required" activities enumerated under Sec. 106(b). Figures III and IV, pages 38 and 39, contain percentage estimates of broad categories for which state services funds were used in Fiscal 1976, and are planned in Fiscal 1977.

General patterns are not difficult to discern; heaviest investments of four percent funds are for continuation of state programs and state agency services, many of them either predating CETA or begun during Fiscal 1975. A remarkably high percentage of available funds appears to be going for the single purpose of continuing ex-offender programs, often on a quasi-permanent basis, and to the exclusion of other purposes mentioned under CETA Sec. 106.

FIGURE III

Percentage Distribution of State Manpower Services Funds
(FY '76, unless otherwise indicated)

Activity	<u>Cal.</u> <u>1/</u>	<u>Ga.</u>	<u>Ill.</u>	<u>Ks.</u>	<u>N.J.</u>	<u>R.I.</u>	<u>Tex.</u> <u>2/</u>	<u>Wash.</u>	<u>W. Va.</u>
Coordination of state agencies	5	--	20	--	14	--	--	--	--
Review, Monitoring, Assessment	--	--	--	--	1	--	--	1	--
Statewide Services	--	2	--	--	8	17	55	--	--
Programs in Rural Areas	4	--	--	--	4	--	6	--	--
Labor Market Information	11	11	5	4	3	--	--	--	--
T/A to CETA Prime Sponsors	1	7	10	4	5	--	4	--	--
Models and Demonstrations	70	1	6	6	12	--	20	--	--
Programs for Offenders	--	57	31 (est.)	41 ^{5/}	39	48	--	55	--
			(44)						
Other Target Groups	--	8	13 (est.)	--	5	35	14	40	--
Other Uses, Including Admin.	15	15	15	45 ^{3/}	10	--	4	4	100 ^{4/}

^{1/}Based on total contracts funded, FY '75 and '76

^{2/}FY '75 contracts only

^{3/}Funds used for voc-ed stipends statewide, and were largely FY '75 carryover funds

^{4/}Funds used for state manpower office staffing

^{5/}The Kansas Correctional Training Program comprised only 41% of FY '76 four percent expenditures, but amounted to 78% of the state's four percent allocation for the same year, excluding prior-year carryover

FIGURE IV

Planned FY '77 Distribution (%)
State Manpower Services Funds

<u>Activity</u>	<u>Cal.</u>	<u>Ga.</u>	<u>Ill.</u>	<u>Ks.</u>	<u>N.J.</u>	<u>R.I.</u>	<u>Tex.</u> <u>1/</u>	<u>Wash.</u>	<u>W. Va.</u>
Coordination of state agencies	INA	--	8	--	12	--	2	--	--
Review, Monitoring, Assessment	INA	--	--	--	2	--	3	--	--
Statewide Services	INA	2	--	--	8	10	43	8	--
Programs in Rural Areas	INA	--	--	--	5	--	35	--	--
Labor Market Information	INA	10	10	--	5	--	--	--	--
T/A to CETA Prime Sponsors	INA	8	11	--	11	--	7	--	--
Models and Demonstrations	INA	--	12	10	7	--	34	--	--
Programs for Offenders	INA	50	30 (est.)	90	31	47	--	60	--
			(39)						
Other Target Groups	INA	15	9 (est.)	--	3	43	49	31	--
Other Uses, Including Admin.	INA	14	20	--	16	--	--	--	100 ^{2/}

^{1/}Total more than 100%; several projects considered to have multiple purposes

^{2/}Entire allocation used to assist creation public bus system in Wheeling, W. Va.

The majority of four percent grants in CETA's first three years appear to have involved activities of little direct benefit to local prime sponsors or to coordination between the state prime sponsor and others. Overall, there is comparatively little evidence of research and demonstration activity, and equally little indication of innovation.

California lists approximately 70% of its FY '75-'76 projects in the category of models and demonstrations. Examination of project summaries indicates, however, that the bulk of state services funds have been used to provide some twenty-five work experience projects, nine OJT projects, four voc-ed projects, and various administrative services at a combined contract cost of approximately \$5 million. Other projects perhaps more in keeping with standard definitions of models and demonstrations include a \$213,000 experiment in cooperative farming techniques for self-employed farmers, and a \$233,000 demonstration of an intersponsor planning and placement system in one locality. In addition, some \$600,000 has been earmarked in Fiscal 1977 for a cooperative venture involving the state and its CETA Title III, Sec. 303 sponsors in an innovative effort to intergrate statewide services to rural farmworkers.

In Illinois, four percent funds were used during Fiscal 1976 to create a private non-profit state manpower institute, charged with providing systematic training for prime sponsor staff members. Operating under its own board of directors, the institute has conducted some twenty-two seminars for nearly 400 participants during its first six months of operation.

In Texas, four percent funds have been granted to the state's industrial commission in an effort to identify and generate up to 4,000 new unsubsidized jobs statewide. In New Jersey, state services funds have been used for such innovative purposes as prime sponsor staff training provided by Rutgers University,

and for a career planning and exploration program involving 250 youth in one local prime sponsor area. And in Georgia, four percent funds were the source of direct T/A grants in the amount of \$27,000 each to the state's local prime sponsors during Fiscal 1975.

In those states and elsewhere, however, it appeared that the largest shares of state services funding were being directed toward criminal offenders and other special target groups. In Fiscal 1976, the states of Georgia, Washington, Rhode Island, Kansas, New Jersey, and Illinois spent 57%, 55%, 48%, 41%,* 39%, and 31% of their respective allocations for offender services. According to planning estimates, commitments for offender rehabilitation will again be high in Fiscal 1977; 90% in Kansas, 59% in Washington, 50% in Georgia, 47% in Rhode Island, and approximately 30% of available four percent funds in New Jersey and Illinois.

Various reasons are given for the heavy use of state services funds for offender rehabilitation projects. Some individuals point to the language of CETA Sec. 106(c)5, which singles out offenders as an eligible target group for four percent assistance. Another is that prison outbreaks occurring around the country in recent years have forced attention on the plight of inmates, as reported in New Jersey where the governor is particularly interested in offender programs. A third explanation, and one that appears to be as acceptable as any -- is that without continued support from governors' special grants, pre-CETA offender programs such as those formerly authorized under MDTA would have "died on the vine" in 1974. Had that occurred, not only would many states have lost some capacity to deliver services to inmates, but numbers of state agency employees would likely have lost jobs as well.

*Offender programs in Kansas actually accounted for 41% of the state's FY '76 expenditures, an amount equivalent to 78% of Kansas' four percent allocations for that year, excluding FY '75 carryover.

Few question the legitimacy of correctional services under CETA. Council members in several states are fearful, however, that such services might become permanently dependent on four percent funding and fail to seek funds for permanent operations elsewhere. Such appears to have been the case in at least four states, where CETA four percent services to inmates are essentially the same as those being rendered years prior to CETA. Rather than phasing down dependence on special grants as a funding source, correction programs in Kansas are getting even more four percent funding in Fiscal 1977 than they received in Fiscal 1976. Given the Kansas governor's strong support of the corrections system, and a state budgetary process that runs almost a full year ahead of the federal fiscal year, (the state's FY '78 budget is now being set), some SMSC members in Kansas point out that state services funds are 'locked-in' for corrections services long before federal CETA allocations are even announced.

Four percent funds have been used only in limited instances to provide rural services (three states in FY '76) or direct technical assistance to prime sponsors (10% or less of total funds in six states, and none in three states). Likewise, labor market information services accounted for 11% of funding in two states, less than 5% in three others, but was not funded as a state services activity in the remaining four states in FY '76.

West Virginia was the only state in which the use of four percent funds appeared to have been inconsistent with legislative intent. In Fiscal 1976, all four percent funds and one percent SMSC support funds were pooled to provide staff services in the Governor's Manpower Office, and no contracts for state services were written. In Fiscal 1977, federal DOL officials required that other uses be made of the governor's four percent grant. Subsequently, the

governor directed his entire allocation (\$685,000 including FY '76 carryover funds) for the creation of eighty-six job positions in support of a new public bus system in the Wheeling area.^{3/}

Recipients of State Manpower Services Funds

In all states but California and Rhode Island, state agencies have been largest recipients of state manpower services grants. Approximate percentage distribution figures for Fiscal 1976 appear in Figure V, page 44.

Second most frequent recipients of four percent funds were private non-profit corporations and community-based organizations. Local units of government received significant shares of four percent funds only in California (39%), Kansas (23%), and Texas (10%), in Fiscal 1976. (Local governments received some 17% of Georgia's Fiscal 1975 grant, but have received no further funding since.)

Private-for-profit firms and consultants received little four percent funding in Fiscal 1976 -- approximately one percent in California and seven percent in Illinois, but none elsewhere.

State agency dominance among recipients of four percent grants -- 80% of Georgia's FY '76 funding, 100% of West Virginia's, 82% in Kansas, 75% in New Jersey, and 65% in Illinois -- may be a natural outgrowth of state sponsors' efforts to provide through those agencies services not otherwise available on a statewide basis. However, in certain instances, it also appears that

^{3/}In an August, 1975, address to the North Carolina Manpower Council, Dr. Juanita M. Kreps -- then a member of the National Commission on Manpower Policy -- noted that in some states, relationships between special needed projects and those actually funded with four percent money appeared accidental. Stressing the need for SISCs to consider development of both policy and priority recommendations for four percent funds, Dr. Kreps also speculated that without systematic approaches, states would inevitably end up funding ideas having only tenuous relationship to needed manpower services.

FIGURE V

Recipients of Four Percent State Manpower Services Grants
Fiscal 1976

	<u>Cal.</u> <u>1/</u>	<u>Ga.</u>	<u>Ill.</u>	<u>Ks.</u>	<u>N.J.</u>	<u>R.I.</u>	<u>Tex.</u>	<u>Wash.</u> <u>2/</u>	<u>W. Va.</u>
State Agencies	18	89	65	75	82	20	47	75 (est.)	100
Local Governments	39	--	--	23	--	--	10	--	--
Other Public Organizations	--	--	8	--	--	--	5	--	--
Private Non-profit and Community organization	42	4	20	2	17	80	38	27 (est.)	--
For-Profit Firms and Consultants	1	--	7	--	--	--	--	--	--
Uncommitted	--	7	--	--	--	--	--	--	--

1/Represents percentages of contracts in force as of 11/76; total \$7.6 million

2/FY '77 planned expenditures

distribution of dollars has been at least partly influenced by enlightened self-interest on the part of the state agencies controlling four percent grant processes.

In West Virginia, the Governor's Manpower Office which administers four percent funds was also the recipient of the state's entire FY '76 allocation. Similarly, the Georgia DOL, which handles the state's four percent grants, received 70% of all contracted funds in FY '76, and approximately 74% of all planned four percent expenditures in the Fiscal 1977 special grant application. Commenting on the present distribution of four percent money in Georgia, several council members complained of the absence of open planning and solicitation of project proposals, noting a market decrease in the proportion of funds going outside state government since CETA's initial year.

In those states, as well as in several where projects bids have been solicited by state sponsors, there are indications that political judgments influence the award of grants.

C. Prime Sponsor Documentation of Results and Use of Learnings

Despite indications of haphazard planning and utilization of special grants funds in some states, it is nevertheless clear that state manpower services funds are perceived as being both needed and useful. Overall, the projects operating with four percent funding are meeting their respective service delivery goals, according to opinions expressed by state sponsor personnel in the majority of states. However, it also appears that most state prime sponsors have yet to initiate thorough monitoring or evaluation of four percent project performance; in other states, monitoring is done but findings are seldom documented. And it appears that only on rare occasions are SMSCs apprised of four percent project performance.

Some evidence of systematic monitoring and evaluative activity was noted in the states of Georgia, Illinois, Kansas, New Jersey, Texas, and Washington. Field researchers' descriptions of present four percent evaluative procedures in these states leave the general impression, however, that state sponsors currently place little emphasis upon program assessment, dissemination of findings, replication of successful projects, or institutionalization of services using funding sources other than special grants funds.

In Georgia, four percent monitoring is assigned to the staff of the state employment service training division, which attempts to conduct at least one on-site monitoring visit annually to each special grant project. In Fiscal 1976, training division staff performed assessments of thirteen of the state's eighteen four percent projects, and developed written reports dealing largely with project compliance in terms of enrollment and other performance goals. Those reports were circulated to project administrators and other employment service staff involved with CETA management. Georgia SMSC members, however, received only summary statistical information on planned vs. actual performance, supplemented by one brief oral presentation from ES staff. When asked to approve staff recommendations for continuation of many projects in Fiscal 1977, several council members felt they had inadequate information to render intelligent decisions. Other Georgia SMSC members, however, preferred that the council not take more active part in overseeing four percent projects -- a responsibility they felt would project the council into an inappropriate role of scrutinizing other state agencies' performance. In the words of one outspoken council member, "all we really know is that they (grant recipients) have probably done more with the money than they could've done without it."

Similar sentiments were expressed in Illinois and New Jersey, where SMSC members complained about the lack of data on special grants performance and appeared to be largely unaware of the results or implications of completed four percent projects. In New Jersey, twenty-two special grants projects were evaluated by staff during Fiscal 1976. However, only four had been written and distributed as of November, 1976. In Illinois, state staff routinely monitors four percent projects, but seldom passes its analyses along to the SMSC.* The first independent, third-party evaluation of an Illinois special grant project was initiated in December, 1976, and focused on the state's offender projects. By the time that assessment began, however, Illinois had already committed more than \$3 million of its FY '75, '76, and '77 state services allocations to offender projects.

In Texas, four percent monitoring responsibility lies with balance-of-state staff. That staff has little apparent communication with the Texas SMSC, however, and did not begin developing written reports of monitoring and evaluative findings until November, 1976.

Perhaps due in part to the general lack of objective analytical information about project performance, there is little evidence that any state is making efforts to replicate successful projects, to share findings with other state sponsors, or to institutionalize four percent services by seeking permanent funding from sources other than special grants. The popular approach in many states is to refund projects perceived by staff as having been successful; hence, the perpetuation of heavy-investment projects in Washington, Illinois, New Jersey, Georgia, and Kansas, where offender services are being supported by four percent funds on a quasi-permanent basis. Overall, there is little indication that states try to determine when projects are "successful;" as a result, dissemination of findings seldom occurs.

*Illinois SMSC members receive monthly fiscal and administrative progress reports in chart form, but no evaluations of project results, benefits or replicability exist.

Part IV. CETA Vocational Education Services and the Five Percent Special Grant

Sec. 112 authorizes grants to governors to provide, through state vocational education boards, financial assistance for needed vocational education services in areas served by prime sponsors. The Act further stipulates that these five percent voc-ed special grants be used only for "vocational education and services to participants in programs under this Title," with activities to be carried out in accordance with agreements between state voc-ed boards and prime sponsors. Federal DOL regulations specify procedures by which voc-ed funds must be administered; i.e., notification of allocations to prime sponsors; development of voc-ed plans, negotiation of non-financial agreements between CETA sponsors and voc-ed boards, release of funds to voc-ed boards, and resolution of conflicts.

Legislative intent in creating CETA Sec. 112 is not clear; one theory holds that five percent funds were intended to provide financial incentive for prime sponsors to "buy-in" with larger ongoing voc-ed programs administered by HEW and by state voc-ed boards, while another contends that the five percent grant was intended to perpetuate the presumptive-deliverer role which belonged to federal and state voc-ed officials under MDTA.

In assessing the experience to date with five percent grants, field researchers first examined each state's voc-ed board and agency structure, the state sponsor's and voc-ed agency's arrangements for administering five percent funds, and the procedures used in reaching decisions on the use of voc-ed special grants. (See section A below.) Findings on current voc-ed program activities and perceived results of five percent grants are contained in section B.

A. CETA Voc-Ed Administrative Responsibilities and Decisionmaking Procedures

Case study findings indicate that while five percent grant administration is now generally smoother than in CETA's initial two years, the voc-ed special grant continues to be the too-frequent source of conflict and controversy among parties involved with its implementation. In all but two of the study states, it appeared that five percent is at best the "son of MDTA," and at worst can become an administrative muddle. There are indications that in the case of CETA Sec. 112, too many parties may be involved in a system that is too complicated, rife with uncertain responsibilities, and generally frustrating to voc-ed administrators and CETA prime sponsors alike.

Organization and Duties of State Voc-Ed Boards and Agencies

CETA Sec. 112 and its accompanying administrative guidelines place considerable responsibility upon state vocational education boards, requiring them to work with state and local prime sponsors in planning CETA five percent grant expenditures, developing and approving nonfinancial agreements, administering CETA voc-ed funds to implement those agreements, and otherwise facilitating the implementation of special grant voc-ed programs.

To date, however, it appears that involvement of state vocational education boards has been insignificant. In a strict technical sense, each state involved in this study has a formal body which has assumed ultimate responsibility for voc-ed special grants. In some states, these are state boards of education which oversee all secondary and post-secondary academic instruction as well as vocational training activities. In other states, separate boards control secondary and post-secondary instruction, whether academic or vocational in nature. In either case, these boards provide policy guidance to various educational agencies, departments and divisions comprising the states' educational

systems. Few appear to become involved except in a cursory fashion in the planning and administration of discrete programs -- such as CETA -- that may come within their purview.

As currently practiced, "voc-ed board" involvement in most states translates to voc-ed agency involvement. From state-to-state, voc-ed agencies are quite dissimilar creatures in terms of organization, responsibility, and effectiveness in dealing with individual local schools making up the state's voc-ed system. One trait most state voc-ed agencies share in common is that they reside at organizational locations two or three levels beneath the "state voc-ed boards" to which they must answer. As subunits of these voc-ed agencies, CETA coordinating units are therefore three to four levels removed from state boards of education. And it is at the level of the CETA coordinating unit that most states have placed voc-ed special grant responsibilities.

At such levels, relations between CETA staff and the boards ultimately responsible for their activities are indirect, infrequent, and often of a highly general nature. From the board's perspective, the voc-ed special grant and the various activities of voc-ed agency CETA staff are miniscule elements within the state educational hierarchy. CETA special grants, nonfinancial agreements, and operational matters seldom come to the attention of state voc-ed boards, and none of the state voc-ed boards in the nine study states appear to take part in CETA special grants deliberations and decisions. The closest thing to direct voc-ed board involvement in matters affecting five percent grants appeared to be in the state of California, where several members of the State Board of Education (secondary school responsibility) and the State Board of Governors (post-secondary responsibility) serve on a Joint Committee on Vocational Education. The Joint Committee has taken active part in policies

and operational problems affecting special CETA voc-ed grants. Elsewhere, however, state vocational education board involvement in CETA special grants appears to be negligible, consisting only of routine approval of nonfinancial agreements and hearing occasional summary status reports on CETA voc-ed special grant activities.

The locus of voc-ed five percent activity appears consistently to be within the same staff unit that administered MDTA funds prior to CETA. In most states, CETA voc-ed units are approximately the same size as their MDTA predecessors; in many, the staff members are the same as those who operated MDTA. Exceptions were noted in Rhode Island and Washington, however, and serve to underscore the great dissimilarity of voc-ed organizational structure among states.

In Rhode Island, a single Board of Regents is responsible for all public education in the state. Although the state has an elaborate system of vocational schools, there was no vocational education administrative unit in state government at the time of CETA's inception. For two years, the Board of Regents delegated voc-ed five percent responsibility to the state agency already responsible for balance-of-state and SMSC operations. Voc-ed funds were subsequently used for a wide assortment of activities, the least of which appeared to be vocational training. (In FY '76, only 19% of the voc-ed grant was used for enrollee instruction, while 28% was spent on equipment purchases and shipping charges and 32% on counseling support.)

In Washington, state legislative action in 1975 created an umbrella coordinating commission for vocational planning and funding, but stripped it of authority to administer or operate programs. Subsequently, the governor transferred CETA voc-ed special grant administrative duties and the CETA voc-ed staff to the state employment service. As a result, Washington's "voc-ed board"

has little effect on special grants expenditures; in Fiscal 1977, many prime sponsors in the state are using five percent grants solely for allowance payments, and are handling their own voc-ed planning and administrative matters at the local level.

The implications of these organizational and administrative differences appear to be significant. CETA Sec. 112 and DOL's voc-ed grant guidelines seem to imply that CETA voc-ed grants can and will be handled in similar fashion throughout the nation. In practice, however, respective states' board structures, agency subdivisions, administrative assignments, and relationships with local vocational institutions show enormous differences.

These findings suggest that failure to take into account the diversity of structural arrangements among state vocational education systems may constitute one of CETA Sec. 112's major shortcomings.

Responsibilities and Decisionmaking Procedures for Voc-Ed Grants

Like state vocational education boards, SMSC's appear to have no more than cosmetic responsibility for CETA voc-ed special grants. SMSC involvement with five percent activities usually consists of approving the process by which annual allocations are distributed among local sponsors and balance-of-state areas. Otherwise, SMSCs appear to have little effect upon voc-ed planning, utilization of funds, or assessment of voc-ed training results.

Similarly, governors themselves have apparently had no more -- and sometimes less -- to do with vocational education special grants than with their SMSCs. The only indications of gubernatorial involvement to date occurred in Washington (where a former governor last year placed CETA voc-ed responsibility with the state employment service), in New Jersey (where an incumbent governor has withheld a portion of five percent funds to supplement offender training programs in one major correctional center), and in Rhode Island (where the

former governor apparently influenced the use of voc-ed funds in the balance-of-state to support a new industrial training facility rather than to provide training in existing vocational schools).

Elsewhere, CETA prime sponsors and staff administrators within state voc-ed agencies have the primary responsibilities for voc-ed grants, from planning to negotiation of nonfinancial agreements, making arrangements for delivery of training services, channelling funds to local training institutions, and tracking performance results. In many states, the interface between prime sponsors and state voc-ed agencies is the point at which problems frequently surface. Many appear to be centered on differences in prime sponsor and voc-ed agency perception of Sec. 112's intent, or differences in opinion on who has the prerogative to make various key decisions affecting special grants. Some apparently have grown from inherent limitations in the abilities of some state's voc-ed agencies to influence the actions and decisions of near-autonomous local institutions. Still others have come about as a result of systemic or legal restrictions upon vocational education activities. These points of contention, described in more detail below, have generally served to reduce the potential effectiveness of Sec. 112 special grants, and in several states constitute the antithesis of legislative intent.

Field researchers have consistently noted differences between state voc-ed agency and CETA prime sponsor perceptions of Sec. 112's intent. Vocational educators tend to view the funds as proof of legislative commitment to utilization of state voc-ed facilities and accumulated expertise in the design and delivery of CETA training services. Prime sponsors, by comparison, often view Sec. 112 strictly as a national political concession to the vocational education system. Where there are indications that good relations exist in

some states and localities, voc-ed agency and prime sponsor relations continue to be strained in others. Presently, much of that strain centers on limitations upon prime sponsor use of special grants funds.

Limitations On Use of CETA Voc-Ed Grants

To insure that five percent funds be used only for the purposes of providing direct instructional services and related administrative support, state voc-ed officials in California, Georgia, Illinois, Kansas, New Jersey, and Texas have prohibited the use of five percent funds for enrollee allowance payments. (Within the past year, however, California and Kansas have both relaxed their provisions for prime sponsors who can show that they invest an equivalent of five percent of their regular Title I funding in vocational instruction approved by the state agency.)

To insure that voc-ed funds are used within the public vocational education system, voc-ed agencies in California, Georgia, Kansas, Illinois, New Jersey, and Texas also require that training be conducted by schools within (or approved by) the state vocational education system.

Instances of state prime sponsor or SMSC-imposed limitations on the use of voc-ed funds are isolated and limited to technical matters such as ceilings on percentages of voc-ed funds that can be spent for local administrative purposes in California and Kansas.

State legal statutes also affect the utilization of five percent grants in at least three states. In Georgia and Kansas, state law stipulates that no person enrolling in post-secondary vocational classes can be charged more than a standard tuition fee, usually ranging from ten to twenty percent of total instructional costs per individual. Remaining costs are furnished by the states from their own revenues or federal grants. When a CETA enrollee in Kansas

enters a regular post-secondary voc-ed class on an individual enrollment basis, his prime sponsor pays only the standard tuition charge of \$150.* Thus a prime sponsor with a five percent grant of \$85,000 would have to enroll some 550 individual referral students in order to utilize that allocation for instructional costs only. Yet allowances to support that many enrollees would cost the same sponsor more than \$1.2 million, an amount greater than the sponsors' entire regular Title I CETA allocation. In these states and perhaps in others, such anomalies have contributed to underexpenditure of available five percent funds.

Other legal constraints have been encountered in Georgia -- where state law says that the state board of education cannot contract for training services with organizations outside the state's public education system -- and in Washington, where the state's voc-ed commission by law cannot administer funds or operate programs. That restriction has resulted in the state employment service being designated by the governor to administer five percent funds. Prime sponsors in Washington felt, however, that ES had little to offer in terms of voc-ed administrative or planning capability, and some refused to sign FY '77 nonfinancial agreements until ES agreed to limit its administrative role to dispensing allowance payments -- the function for which sponsors evidently thought ES was best suited. Several local sponsors in Washington now use 100% of their voc-ed grants for allowances.

Singularly, perhaps none of the above limitations can be said to have permanently damaged voc-ed agency/prime sponsor relations, or to have prevented voc-ed special grants from achieving their intended purposes. Nevertheless, they illustrate developments apparently not contemplated under national legislation which presumes comparable circumstances and similar operational conditions in all states.

*Figures are approximate, and are used only for illustrative purposes.

Nonfinancial Agreements for CETA Voc-Ed Services

During CETA's first two years, much attention was given to the problems arising from CETA's requirements for nonfinancial agreements between prime sponsors and vocational education agencies. In Fiscal 1975, new prime sponsors faced with massive new responsibilities encountered serious difficulty in attempting to reach voc-ed agreements they seldom understood with agencies and individuals they hardly knew. Results were often chaotic, as in New Jersey where in the last month of Fiscal 1975 only thirteen of twenty-two agreements with prime sponsors had been signed off, and of those only eight had actually been implemented.

Fiscal 1976 was perhaps slightly better, although most states involved in this study indicated that approval of nonfinancial agreements ran well into the program year and contributed to continued underutilization of special voc-ed funds in a considerable number of localities.

By Fiscal 1977, all states appeared to have mastered the technical rudiments of completing nonfinancial agreements, and there were no indications during this study that the nonfinancial agreement process had been responsible for delaying any prime sponsor's funding or subsequent program implementation. In Washington, Fiscal 1977 nonfinancial agreements were not signed until late in November, 1976, but the cause of that delay was due to prime sponsor reluctance to deal with the state employment service as voc-ed administrative agent. Once it had been agreed that ES would permit several local sponsors to use all their five percent funds for allowance payments, agreements were quickly signed.

Nevertheless, most prime sponsors and many vocational education administrators interviewed felt that the nonfinancial agreement process was still unnecessarily complex. The Director of Georgia's Office of Adult and Vocational Education

felt that the nonfinancial agreement procedure was "still sinking under the weight of its own red tape and trivia." In Kansas, it was noted that while the nonfinancial agreement concept has merit -- it guarantees contact between the voc-ed establishment and CETA prime sponsors -- much of the system's potential value has been dissipated because the procedure diverts attention from matters of substance (program quality and impact) to matter of form (meeting administrative requirements).

There are indications in Illinois and in New Jersey that the nonfinancial agreement process has helped prime sponsors and voc-ed administrators develop sound and positive relationships. But the process continues to take Sec. 112 funding outside the mainstream of the overall CETA planning and programming effort. And the fact that agreements for Fiscal 1977 have generally been executed on time, in contrast to the two preceding years, may be more attributable to man's ability to cope with almost any adversity rather than to some intrinsic merit in the present approach.

B. CETA Vocational Education Activities Under Five Percent Grants

Figure VI, page 58, compares five percent special grant expenditures in the nine study states for Fiscal 1976, and shows that six of the states spent 70% or more of their available funds for enrollee instructional services. (Texas was unable to provide accurate percentages of expenditures, but does operate under the policy that no funds are to be used for allowances.) In contrast, only 56% of California's combined FY '75-'76 expenditures were for enrollee instruction, while West Virginia spent 35% of its FY '76 funds for instruction. Rhode Island placed least emphasis on instruction; 19% of total five percent expenditures in Fiscal 1976.

FIGURE VI

Voc-Ed Special Grants Expenditures (Fiscal 1976)

Category	<u>Cal.</u> <u>1/</u>	<u>Ga.</u>	<u>Ill.</u> <u>1/</u>	<u>Ks.</u>	<u>N.J.</u>	<u>R.I.</u>	<u>Tex.</u>	<u>Wash.</u>	<u>W. Va.</u>
State Voc-Ed Agency Administration	22 ^{2/}	7	10	10 ^{2/}	7	5	8	10	13
Enrollee Instructional Costs	56	81	85	71	76	19	INA	85	35
Enrollee Allowances	6	--	--	16	--	13	--	--	52
Enrollee Support Services	16	4	5	3	--	32	INA	0.5	--
Equipment and Supplies	--	--	--	--	--	28	INA	0.5	--
Prime Sponsor Administration	--	8	--	--	17	--	16	4	--
Other	--	--	--	--	--	3 ^{3/}	--	--	--

1/Based on combined Fiscal 1975-1976 expenditures

2/Includes state voc-ed agency and prime sponsor administration

3/For phase-out of prior MDTA programs

With the single exception of West Virginia (52% for allowances), no state used more than 16 percent of its voc-ed special grant for allowance payments; five states used no funds for allowances. Preliminary planning estimates for Fiscal 1977 indicate, however, that percentages of special grants funds to be spent for allowance payments are likely to increase this year; from zero to 55% in Washington, from 13% to 25% in Rhode Island, and from 16% to 22% in Kansas.

State voc-ed agency administrative costs were highest in West Virginia (13%), and elsewhere did not exceed 10% of total voc-ed special grants expenditures. Combined expenditures for voc-ed state agency administration and prime sponsor administration appeared to be highest in Texas and New Jersey (24% in each state), and in California (22%). Prime sponsor administrative costs exceeded state voc-ed agency administrative costs in Georgia, New Jersey, and Texas.

Available Funds and Actual Expenditures

In Fiscal 1975, prime sponsors and voc-ed agency administrators grappled with a series of problems that contributed to significant underexpenditures of voc-ed special grants funds. Due to delays in funding, difficulties with negotiating nonfinancial agreements, and perhaps to the diversionary effects of the nation's economic slump, several states spent only one-half or less of their five percent funds. By the end of Fiscal 1976, however, most state sponsors had managed to increase their rates of voc-ed expenditures to levels matching or exceeding amounts of new incoming funds.

Figure VII, page 60, compares five percent allocations, expenditures, and unspent funds for the combined Fiscal Years 1975 and 1976. (Information for New Jersey and California is for grants and expenditures only through June 30,

FIGURE VII

Voc-Ed Special Grant Allocation and Expenditures
(Fiscal Years 1975 - 1976)

	Total Allocations FY '75 - '76	Total Expenditures FY '75 - '76	Unspent Balance (Sept. 30, 1976)	Percent of Allocations Unspent
New Jersey ^{1/}	\$ 5,445,000	\$ 3,290,000	\$ 2,155,000	39.6%
Texas	8,977,000	6,658,000	2,319,000	38.7%
Kansas	1,477,000	1,041,000	436,000	29.5%
California ^{1/}	17,354,000	12,265,000	5,089,000	29.3%
Georgia	3,078,000	2,232,000	846,000	27.5%
Washington	3,735,000	2,917,000	818,000	21.9%
Rhode Island	928,000	728,000	200,000	21.6%
Illinois	8,124,000	7,018,000	1,106,000	13.6%
West Virginia	1,549,000	1,348,000	201,000	13.0%
TOTALS	\$ 50,667,000	\$ 37,497,000	\$ 13,170,000	26.0%

^{1/}Includes Grants and Expenditures only through 6/30/76

1976; information for the elongated 'fifth quarter' of 1976 was not available at the time field work was completed.) Among the nine states, percentages of unspent FY '75-'76 voc-ed funds ranged from a low of thirteen percent in West Virginia to a high of almost forty percent in New Jersey. Five states -- New Jersey, Texas, Kansas, California, and Georgia -- showed respective unspent balances of 39.6%, 38.7%, 29.5%, 29.3% and 27.5% during the two-year period.

Overall, the nine states involved in this study received combined Fiscal 1975-1976 voc-ed grants totalling some \$50.7 million, of which \$37.5 million had been spent at the end of Fiscal 1976. The unspent balance of \$13.2 million -- some 26% of available funding during the period -- should not be interpreted, however, as an indication that five percent grants are not being utilized as intended. In most states, those funds have been committed to voc-ed activities begun but not completed by the end of Fiscal 1976. Because planning, nonfinancial agreement negotiation, and program implementation appears to be progressing more smoothly in Fiscal 1977 than in either of the two preceding years, it appears that most states will experience considerable reductions in percentages of unspent voc-ed funds by the end of the current fiscal year.

Types and Levels of Voc-Education Activities under CETA

Field researchers found it extremely difficult to acquire data to support conclusions about the types and levels of vocational education training activity under CETA as compared to those under MDTA. A major problem is that in many states, neither the state prime sponsor nor the state vocational education agency maintains data on combined voc-ed activities funded from regular Title I funds and CETA five percent special grants. In Georgia and California, voc-ed agency

officials noted that they, like the state prime sponsor, had no information concerning contracts for regular Title I voc-ed services negotiated between independent local schools and local prime sponsors.

It is clear that in the majority of states, a considerable amount of Title I funding is used to furnish vocational education services in addition to those provided through the five percent special grant. In New Jersey, for instance, prime sponsors used some 26.4% of their regular Title I allocations for voc-ed instruction during Fiscal 1975, and used sixteen percent of Title I funds for that purpose in Fiscal 1976, at the trough of the economic recession. (Including funds for allowances, New Jersey sponsors spent some 56 percent of their Title I allocations for voc-ed activities in Fiscal 1975, and nearly 35 percent in Fiscal 1976.)

Comparing the New Jersey expenditures under CETA with those under MDTA in Fiscal 1974 seems to confirm the general impression gathered from most states involved in this study -- that in overall terms, CETA has had no great impact on the levels of vocational education activity. Under manpower revenue sharing in Fiscal 1974, New Jersey invested some 38.4% of its \$35.9 million total funding in vocational training activities, and served an estimated 7,334 individuals. In Fiscal 1975, prime sponsors in that state invested over one-half of \$37.4 million in available Title I funds to provide voc-ed training services to 5,854 persons. Enrollment figures for Fiscal 1976 were unavailable, but planned expenditures for that year dropped to about one-third of total Title I funds available. Added to the five percent special grant, that represents a total voc-ed funding level of about the same as the 1974 level under MDTA.

In California, voc-ed agency personnel indicated that while total statewide vocational education enrollments had increased since 1973, the percentage of total enrollments financed through CETA special grants has decreased by approximately 50% from comparable levels funded under MDTA. State administrators added, however, that they had no way of determining the extent to which local training institutions are being funded through regular Title I contracts with prime sponsors.

Clearly, several states other than New Jersey invest considerable portions of regular Title I funds in vocational training. In West Virginia, the statewide consortium spends approximately four times more Title I money than special five percent money for voc-ed services. In Texas, prime sponsors in Fiscal 1975 added some \$13.7 million in Title I funds to their \$4.1 million special grants allocation; in Illinois, prime sponsors in Fiscal 1976 committed some \$26.5 million in Title I funds to voc-ed training in addition to the state's \$3.5 million five percent grant.

Increased costs of instructional services and enrollee allowance payments, however, have apparently absorbed much of the additional funding that prime sponsors have committed to vocational training. Thus in Georgia, where more than half the state's sponsors appear to place considerable funding emphasis on vocational training, state officials indicate there has perhaps been no more than a 10-12% increase in statewide enrollments when compared to MDTA. In Kansas, voc-ed officials estimate that CETA has possibly induced an increase in voc-ed activity of about two to four percent over MDTA levels.

Results of Five Percent Special Grants

The five percent special grant does not seem to have produced sufficient positive results to justify its continuation without legislative or regulatory

adjustment. Although the five percent grant arrangement is seen as useful in at least two states, there is cause to question the value of Sec. 112 in most others.

The five percent pass-through arrangements requires the involvement of numerous parties; the state prime sponsor, the state voc-ed agency, local prime sponsors and their planning councils, local training institutions, and and -- in some states -- SMSCs. More often than not, one or more of these parties finds that its perceptions and priorities do not agree with those with whom they must agree if the five percent grant procedure is to function at all.

During the first two years of CETA, differences among the various actors involved in Sec. 112 were frequent, and resulting snags in executing nonfinancial agreements led in turn to programming delays and to accumulations of large voc-ed grant underexpenditures. By Fiscal 1977, most states had mastered the mechanics of nonfinancial agreement negotiation, but many individuals responsible for the process continued to express frustration over what they perceived as needless complexity and trivia.

In terms of Sec. 112's effects upon the quality of voc-ed planning and programming, it appears that the state-of-the-art has yet to progress beyond that of MDTA. "Planning" in many areas consists largely of dividing total available voc-ed dollars by the estimated average cost of enrolling and supporting an individual referral student. There has been a steady decline in the use of class-group training under CETA, accompanied by a corresponding increase in the numbers of individual enrollments. When offered, most class-groups appear to be traditional and generally fail to offer new linkages between development of skills and opportunities for employment. And many

prime sponsors complain that voc-ed schools impose individual-referral entrance requirements which CETA applicants often cannot meet.

There is a general lack of assessment of CETA voc-ed programs, and only in one state are there indications that the state sponsor is attempting to evaluate voc-ed program results such as retention, completions, and placements in training-related occupations. It appears that neither state sponsors, voc-ed agencies, nor SMSCs are keeping tract of the combined voc-ed effort under regular Title I and CETA special grants, although one state has plans to do so in Fiscal 1977. In states where officials have yet to devise means of finding out how many CETA enrollees are receiving vocational training, it appears doubtful that adequate attention is being given to the content and the quality of training provided.

The single significant accomplishment of five percent special grants under CETA Sec. 112 is the success in bringing CETA prime sponsors and voc-ed administrators face-to-face. In contrast to Fiscal 1975, when prime sponsors and voc-ed officials had little knowledge of each other's needs and abilities, the two parties have now established relationships and have largely ironed out earlier differences that resulted in program delays. In several states, prime sponsors have come to see state voc-ed agency administrators as capable of providing valuable assistance in the design and the implementation of local programs. That confidence is perhaps best expressed in several New Jersey localities where prime sponsors have given state officials administrative responsibilities for regular Title I voc-ed programs as well as for those under special grants.

Nevertheless, many prime sponsors continue to perceive little value in the pass-through arrangement, particularly in states where legislative and

policy constraints prevent maximum feasible use of available five percent funds. In several instances, state voc-ed agencies have little apparent influence upon individual institutions within the state vocational education system, with the result that prime sponsors find themselves having to spend funds they never see for services neither they nor the state voc-ed agency can control.

Overall, the findings of this study indicate that CETA Sec. 112 has few apparent pluses. While some states have been successful in mastering the technical requisites to make the present system work in acceptable fashion, most have found that it requires extraordinary efforts just to keep Sec. 112 from having a negative impact.

Part V. Commentary and Recommendations from Project Staff

Parts I through IV of this report present findings from case studies in each of the nine states involved in this project. Interpretations and subjective observations from field staff were eliminated insofar as possible.

Following the field work and case study preparation, researchers met in December, 1976, to discuss individual observations and to suggest ways of improving the effectiveness of special grants activities under existing federal statutes. In discussing their recommendations, project staff generally agreed that special grants cannot be accurately assessed -- nor should legislative and administrative changes be proposed -- without first considering a larger question that goes to the heart of the present decentralized CETA system; i.e., the appropriateness of states' and governors' roles under current legislation and administrative guidelines.

In this part of the report, section A summarizes field researchers' consensus perceptions of factors which may limit both the willingness and the capacity of states and governors to carry out their special responsibilities under the Act. Section A also includes findings from other contemporary studies which tend to support those perceptions. Sections B, C, and D contain alternative suggestions for strengthening state councils, state manpower services, and CETA voc-ed activities, as well as for generally furthering the present aims of CETA Sections 106, 107, and 112. Section E contains comments on three states' recent experiences with consolidating CETA and ES operations.

A. Strengthening the Roles of States and Governors Under CETA

In addition to prime sponsorship duties in geographic areas not covered by independent local prime sponsors, CETA places upon states and governors broad responsibilities for coordination and for the provision of other services

generally beyond the range of local prime sponsor capacity -- the special functions assigned under CETA Sections 106, 107, and 112.

Conceptually, there is no question of the need for those special functions and activities now assigned to states and governors. In practice, however, it appears that most states are finding it difficult to carry out those functions. For instance, governors, SMSCs, and state prime sponsor staff have generally found that performing the "policeman" functions of Section 107(b)(2) frustrates their attempts to carry out coordinative responsibilities under Section 107(b)(1). Other current studies confirm MDC's overall finding that to date, states and governors have not been particularly successful at either task.^{4/}

^{4/} Randall Ripley's Ohio State University study of CETA prime sponsor performance in fifteen localities (October, 1976 and January, 1977) contains the following observations and quotations:

King-Snohomish, Washington: "The role of the state as coordinator of manpower services and its role in distributing 4% and 5% money is basically irrelevant. There is no (local sponsor) strategy for dealing with the state because the state simply doesn't matter."

Birmingham, Alabama: "The state CETA Office's role has been minimal -- limited only to providing 5% funds and...funds to upgrade planning staff."

Denver, Colorado: "Until recently, the state coordination role was not played with any consistency or vigor. Even now, there is more potential than reality to the state role."

Lowell, Massachusetts: "Some (local staff) are oblivious of any role played by the state in CETA...Several were aware of the SMSC, but indicated little or no contact with it, and no specific knowledge about the 4% or 5% funds."

Luzerne County, Pennsylvania: "Interactions with the state are limited to an outstationed field representative...The relationship with the state is primarily an information one."

Cumberland County, New Jersey: "The state has had little impact on local operation."

Balance-Of-State, Connecticut: "Influence of the SMSC has been negligible... A major factor is the indifference of the five prime sponsor members to SMSC activities."

CETA mandates that governors coordinate manpower-related state agencies which receive direct funding from a variety of state and federal sources. Often, neither the agencies nor their funding sources are under state or federal legal compulsion to coordinate their plans and programs with the state sponsors' CETA activities. Problems of state agency coordination are exacerbated when key agencies are headed by independently-elected officials. In some states, elected cabinet-level officials may have greater perceived political influence than the governor, especially in states where the tenure of such elected officials frequently exceeds that of a governor. In one state involved in this study, an independently-elected official heads the state department which now houses all state CETA and ES activities. That individual has occupied the same cabinet-level position for sixteen years spanning the administrations of five different governors, and is perceived by many as having far greater influence upon the state's present manpower structure than the incumbent governor.

Joseph A. Schlesinger, in comparing the relative strengths of governors nationally, has documented significant differences in gubernatorial ability to influence respective states' governmental operations.^{5/}

^{5/}From The American Governor in Behavioral Perspective, edited by Thad Beyle and Oliver Williams. Schlesinger first ranked the formal powers of governors in terms of state budget control, appointive prerogatives, tenure potential, and veto authority, with governors scoring a maximum of five points and a minimum of one point in each of the four categories. He then developed a combined index, assigning equal weight to each of the four indicators and thus having a possible range of four (weakest governors) to twenty (strongest governors) total points.

Among the states participating in the MDC study, Texas, West Virginia, and Rhode Island had low gubernatorial power indices of 7, 8, and 11, respectively. At the upper end of the scale, "stronger" governors in Illinois, California, New Jersey, and Washington received respective ratings of 20, 19, 19, and 18. Midway between these extremes, governors in Georgia and Kansas scored 13 and 14 points respectively.

Other recent publications have also noted the relatively weak positions of some governors in their efforts to deal with state agencies, and at least one has cited those weaknesses as a possible cause for lack of visible gubernatorial response to CETA's coordinative provisions.^{6/} Although the preceding conclusion may be accurate, it nevertheless seems significant that in terms of governors' personal involvement in CETA affairs, MDC's field researchers found little breadth of difference between so-called "weak governors" and "strong governors" in the nine states. Relatively strong governors in Illinois and California have provided no more direct CETA leadership than the "weakest" governor in Texas. In fact, governors in West Virginia and Rhode Island -- two states near the bottom of the Schlesinger power ratings -- were the only ones appearing to have played substantive personal roles in their states' CETA activities other than those involving the use of four percent funds.

In addition to responsibilities for orchestrating state agencies involved in manpower services, a second element of the governors' coordinative duties involves other CETA prime sponsors. In that role, governors and SMSCs are mandated to review, monitor, coordinate with, and make recommendations to local governments operating as CETA prime sponsors. Within the nation's decentralized manpower system, those localities plan, receive funds, and operate independently of the state. Yet while CETA clearly establishes the independence of local prime sponsors, governors and SMSCs are asked to coordinate, monitor, and perform other functions which many local sponsors perceive as an infringement upon their independence.

^{6/}Curtis Aller and Richard Krop, SMSCs: A Field Study Assessment. November, 1976. (Unpublished draft)

In effect, it appears that CETA now gives state prime sponsors considerable responsibility, but provides few handles by which governors or SMSCs can take hold of that responsibility. By their actions to date, it also appears that most governors are saying that they cannot perform some of the tasks CETA presently assigns. Instead of assuming leadership responsibilities, many appear to be shying away from it.

Field researchers who conducted this study point out that there are few apparent benefits and many possible risks to governors who might otherwise attempt to take full advantage of the present legislation. Governors and state CETA staff apparently feel they stand to gain little by attempting to coordinate, monitor, or suggest changes to independent prime sponsors who resent intrusions from the state. The national experience to date also suggests that governors are reluctant to tangle with traditionally powerful state agencies in order to carry out CETA's intent; few governors now seem inclined to sacrifice carefully developed and sometimes fragile political relationships with local governments and entrenched state agencies for the purposes of CETA.

One major question that national policymakers may need to examine more closely is whether or not states and governors -- in addition to their normal prime sponsorship duties -- have (or should have) an important role in the federal-state-local employment and training system. Clearly, CETA has already given them significant responsibility. Yet present legislation provides no direct incentives -- either positive or negative -- to encourage states to discharge their special CETA duties. Moreover, states and governors have few means of rewarding exemplary performance on the part of prime sponsors or state agencies, and they have practically no means of enforcing compliance

in the event that sponsor or agency actions are found to be inappropriate. Without the power to reward or punish, it is doubtful that any governmental official can have significant impact upon performance, whatever that official's statutory responsibility.

In examining the question of states' and governors' roles in the ideal decentralized manpower system, policymakers should also consider the relative significance of CETA in proportion to the formidable range of other programs and services that command the attention of officials at all levels of government. In terms of total funding for government services, CETA represents no more than a small percentage of the typical city, county, state, or federal budget. As a separate entity, it constitutes only one of the thousands of threads woven into the fabric of government services. And as such, it receives attention in direct proportion to its perceived importance.

At the state level, CETA may be at a triple disadvantage. First, it is only one of the many programs and services for which the governor is responsible. Secondly, it assigns responsibilities in which the potential risks outweigh the apparent advantages of rigorous execution. Third, it is a 100% federally-funded program, requiring no monetary investment on the part of states and localities. At the state level, gubernatorial attention is much more often centered on issues involving state and local revenues -- education, law enforcement, health, and highways, for instance -- than upon programs in which the state and its localities have no financial stake.

Nationally, CETA represents a considerable federal investment for a variety of activities intended to accomplish numerous objectives. Yet the proportion of total CETA funds earmarked to assist states and governors in carrying out the special duties of Sections 106 and 107 represent but a small fraction (1/20th)

of CETA's Title I investment alone. Considering all Titles of CETA as well as federal expenditures for state ES operations and other manpower-related activities at all levels of government, the funds now available to states for coordinative purposes perhaps constitutes less than one percent of total expenditures.*

In effect, CETA Sections 106 and 107 ask governors to assume responsibility for orchestrating all human services development programs in their states. The employment and training area alone, however, has become an exceedingly complex business, and it appears that governors generally lack the authority, the incentive, or the funding sufficient to produce leadership and sustained attention to duties that CETA now confers upon them. Without changes in federal policy, states and governors may have difficulty in accomplishing the tasks delineated under present legislation.

One possible means of stimulating greater gubernatorial involvement might be through federal policies aimed at increasing the visibility of manpower-related activities by bringing together various elements which now function in more or less independent fashion. With the exception of four percent grants (see p. 32 of text), few of the special functions assigned under CETA have attracted gubernatorial interest. Likewise, relatively few governors appear to have concerned themselves with administration and effectiveness of their state employment service operations, also widely regarded as creatures of federal origin and perpetuation. States and governors do, however, consistently take interest in state-financed industrial recruitment and economic development efforts, and in the success of state-financed educational systems.

If, through a combination of legislative and administrative refinements, national policymakers could promote the consolidation of responsibility for

*Past experience suggests that even when these available dollars are used for coordinative purposes, they may not be enough to do the job. If they are not being used for that purpose, there may be reason to question whether legislative intent is being served.

interrelated human service development programs at the state level, the combined package would not only be more visible, but would also be more likely to receive priority than would any of the elements individually. Thus while CETA alone might never generate widespread gubernatorial attention, the consolidation of CETA, Employment Service, economic development, and vocational training would constitute a "critical mass" of related activity more likely to command the attention and the personal interest of governors and other key state officials.

However, the findings of this study suggest that the Act -- as presently written -- may include unrealistic expectations of governors and their SMSCs. There may be flaws in CETA's assumption that governors can or will do what the legislation now asks of them.

B. Recommendations for Increasing the Effectiveness of SMSCs and One Percent Grants under Existing Legislation

It is clear that despite present difficulties, State Manpower Services Councils and the one percent special grants for SMSC support should be continued. There are, however, several alternatives for strengthening the present roles of SMSCs under CETA Section 107.

One possible explanation for uninspired council performance to date is that CETA may be placing upon volunteer councils responsibilities that are both too numerous and too uncertain to be handled effectively by advisory bodies.

A prime consideration for federal policymakers is whether SMSCs are to continue largely as technical compliance organizations functioning on the periphery of the manpower arena, or whether councils should be given more manageable and carefully-defined responsibilities. Toward that end, field researchers have offered the following suggestions:

1. Monitoring and evaluation of prime sponsor performance -- other than that required for internal prime sponsor management purposes -- is a present SMSC responsibility that perhaps should be returned to federal authorities. States, as prime sponsors, may be unlikely candidates to perform open and objective assessments of their own balance-of-state programs. States may be even less likely candidates to conduct effective local sponsor monitoring -- partly because monitoring activities often appear to negate state sponsor efforts towards improving cooperation, fostering open communication, and providing significant assistance in solving technical problems.
2. Annual review and comment on prime sponsor Title I plans should either be vitalized or eliminated altogether as an SMSC and state sponsor function.* The present process has proved largely ineffective, partly due to short time permitted, and partly due to SMSC inability to influence local planning and programming. If review and comment is to be made a more meaningful activity, SMSCs should be required to adopt review standards and to notify sponsors of review criteria at the outset of each annual planning cycle. (Review criteria should perhaps be established through state and local sponsor joint efforts.) Plans should be available to state sponsors and SMSC staff at least thirty days prior to submittal to DOL, and DOL should adhere to a strict policy of withholding plan approval until thirty days following transmittal to state offices. If during the review period the SMSC finds items to be brought to the attention of funding authorities, DOL plan approval should be withheld until the SMSC, the prime sponsors, and DOL officials can develop appropriate responses or agree to seek mutually acceptable solutions.
3. Annual reports to governors -- now largely technical compliance documents -- should be required to meet certain minimum standards. They should contain clear and concise descriptions of how state sponsors and SMSCs have discharged their statutory duties during the report year, what difficulties have been encountered, and specific recommendations for subsequent actions on the part of the governor, state agencies, or prime sponsors. There should perhaps be greater federal encouragement of the use of annual reports as instruments for shaping state policy and for achieving constructive change.
4. SMSC Organizational Location: Ideally, SMSC functions should be housed in executive offices of governors or attached to cabinet-level departments of state government. If assigned to state agencies other than the governors' offices, federal policy should require separation of SMSC duties and staff assignments from the duties and staff of the balance-of-state prime sponsor. The practice of locating SMSCs within sub-cabinet line agencies of state government should be discouraged, and perhaps should be prohibited in the event that the agency is also a deliverer of statewide services competing for available manpower program funds.
5. One Percent Grants: Special grants for support of SMSC activities should be continued, but regulations governing their use need refinement. At a minimum, staff funded under one percent grants should be required to perform SMSC-related duties, and the practice of using one percent money to supply staff primarily involved in balance-of-state administration or line agency management should be eliminated. In the event that a state sponsor cannot utilize its entire SMSC grant for council support, other

*Also applies to annual review and comment on state agency plans.

uses should be permitted subject to prior SMSC approval. Those uses could be restricted to required state services under CETA Section 106(b) rather than optional services under Section 106(c). Otherwise, there is a tendency for state sponsors to accumulate one percent surpluses in order to create reserve funds for discretionary purposes.

(Although none of the states involved in this study felt that their one percent grants were inadequate to support their present SMSC operations, there may be a need for DOL to establish a floor of \$50,000 for the seven states whose SMSC allocations now fall below that level.)

6. SMSC Voting Membership: There is clear justification for the continued representation of prime sponsors and key state agencies in SMSC decisions. Consideration should be given, however, to limiting the voting percentage of prime sponsors, program operators, and others having vested interests as recipients of CETA funds to not more than 50% of SMSC membership. Emphasis on private-sector employer participation should be increased substantially, while SMSC predominance by sponsors, agencies, and other funding recipients should be reduced. (Some states have found that agencies and program operators can contribute effectively to SMSC deliberations by serving as non-voting or ad hoc members of councils and subcommittees.)
7. SMSC Subcommittees: Each SMSC could be required to have some form of executive body or steering committee, representing major interests such as the governor, agencies, prime sponsors, business, and others, with the capability to provide staff with quick response, advice, and guidance at times when consultation with full SMSC voting membership is unfeasible. Further subcommittee structure should be left to the discretion of the state sponsor and SMSC members.
8. Frequency of Meetings: Given the complex and changing nature of manpower activities, federal policy should establish minimum standards for frequency of SMSC meetings. Councils that convene less often than bi-monthly have seldom demonstrated the capacity to influence planning, programming, or policy.
9. SMSC's and the Development of State Manpower Policy: Many of the difficulties presently experienced by state sponsors and SMSCs can be traced to absence of policy at the state level. Without clear policies, adopted and agreed upon by the governor and a majority of SMSC voting members, state staff may be left to seek their own directions. Subsequent actions can become inconsistent and thus subject to criticisms that detract from state staff ability to perform useful work.

Clearly, most councils have thus far not been effective policy makers. Some observers have been especially critical of councils for their policy failures, and one recent study of SMSCs concludes that volunteer councils are unlikely initiators of policy.^{7/}

^{7/}Aller and Krop; SMSCs: A Field Study Assessment, November, 1976.
(Unpublished draft)

Two observations may be significant, however. First, CETA as presently written makes no mention of SMSCs in terms of policymaking responsibilities. Although the Act implies that prime sponsors have considerable policymaking prerogatives, it does not specify clear SMSC duties for policy development. Secondly, if councils are in fact not likely vehicles for creating state manpower policy, then what groups or individuals are? It appears that governors or state staff personnel are seldom inclined to establish policies for statewide application without first seeking the opinions of the various interests represented on SMSCs -- the prime sponsors, agencies, operators, and others likely to be affected.

The need for strengthening state-level policymaking capabilities is apparent. SMSCs are charged with many duties that must, by nature, be performed by staff: i.e., actual review of plans, monitoring of programs, report-writing, and other administrative functions are generally carried out by staff, rather than by SMSC members. In most states, however, staff units appear to work without benefit of policy guidance, and their subsequent actions -- taken in the absence of clear policy directives -- are often viewed as arbitrary and inconsistent by those affected. With appropriate authorization and assistance, however, SMSCs could begin to establish policy parameters within which staff activity is to be carried out, thus legitimizing staff work and also providing the basis for improving its effectiveness.

Development of policy positions on issues germane to CETA's improved effectiveness may potentially constitute the single greatest contribution SMSCs could make to their respective states' employment and training systems. Areas that now seem to need state policy attention include locus of decisionmaking, technical assistance, monitoring and evaluation, review and comment, utilization of special grant funds, CETA/voc-ed linkages, and CETA/ES relations.

SMSCs, it would appear, could indeed become important instruments for policy creation. National policymakers should consider establishing the development of state policy as a clear SMSC responsibility -- one that could prove to be more significant and more likely to produce desired results than present SMSC duties under CETA Section 107.

C. Maximizing the State Manpower Services (Four Percent) Investment

As with one percent grants for SMSC support, findings of this study suggest that four percent grants are generally serving constructive purposes and should be continued. Yet the experience to date with four percent funds also raises the question of whether states should be left to "muddle through" for awhile longer, or whether there should be new national efforts -- through legislative amendments or refinements in regulations -- to target the use of funds more precisely, or at least to produce more uniform efforts.

Field researchers have suggested the following possibilities for increasing the effectiveness of four per cent grants:

- 1) Require clearer definition of the 4% planning process. Appropriate DOL guidelines requiring the use of orderly planning procedures might help ameliorate the haphazard manner in which four percent grants are now planned in some states. National policy should perhaps require state sponsors to identify proposed services and to solicit bids for delivery of services whenever possible and feasible to do so.
- 2) Limit the duration of 4% project funding. There may be reason to consider placing limits upon the length of time for which a given organization can receive four percent funding for delivery of certain services under Section 106(c). Projects involving traditional programs or services to special target groups should perhaps be limited to not more than two consecutive years' funding from four percent sources. Otherwise, there may be a tendency for state sponsors to support a number of such projects on a quasi-permanent basis through governors' grants for state manpower services. DOL officials may also need to consider funding offender projects from other federal grant sources.
- 3) Clarify SMSC responsibilities for 4% funds. The role of SMSCs with respect to four percent grants is now poorly defined. Federal policy should perhaps require that state and governors involve SMSCs in developing clear policies on the use of funds, the criteria for proposal development, procedures for final project selection, requirements for project follow-up and evaluation, and dissemination of findings.

- 4) Assure relevance to needs of local prime sponsors. Because four percent funding allocations are determined as a percentage of all Title I funds allotted to local sponsors as well as to the balance-of-state prime sponsor, there should perhaps be special provisions to insure that local sponsors receive some benefit from services funded from four percent grants. Many local sponsors presently feel that state manpower services projects have been of little perceptible value to their operations.*
- 5) More precisely target the use of 4% funds. Section 106 now provides a broad list of permitted uses for four percent money. To date, most states have chosen to fund more "optional" activities under Section 106(c) than "required" services under Section 106(b). Moreover, the optional services are often for the continuation of existing state agency activities or programs aimed at special target groups. On the other hand, there has been little pure demonstration, less innovation, and only an occasional instance of efforts to extend state technical assistance to local prime sponsors.

Federal policymakers may need to consider whether the primary intent of CETA Section 106 is to direct special state services towards groups of clients, or whether there should be greater emphasis on finding solutions to functional problems associated with interagency or intergovernmental planning and programming. Current DOL regs say nothing on this point, and make no suggestions to governors on how to initiate 106(b) services.

As a general major recommendation, field researchers suggest refinement in the planning and the management of four percent grants. They also note that the four percent area is particularly susceptible to criticism because of poorly-defined procedures, absence of open planning and project assessment, and indications of considerable self-interest in funding decisions reached by some state agencies responsible for the administration of state services grants.

D. Preserving and Focusing the CETA Voc-Ed Effort

Based on experiences to date, there now may be reason to question whether CETA Section 112 and five percent voc-ed grants have an appropriate place in the Act. During CETA's initial years, Section 112 apparently served the useful purpose of bringing together new prime sponsors and experienced state voc-ed agency officials.

*This perception may only be a reflection of most local sponsors' lack of knowledge about 4% programs. Few appear to be involved in 4% grant planning, and thus feel they derive little direct benefit from 4% expenditures.

However, Section 112 and its accompanying regulations have also had the effect of taking five percent voc-ed planning outside the CETA mainstream, while technical and procedural problems continue to receive greater attention than matters of program quality and results. Findings documented in most case studies and in Part IV of this report suggest that Section 112 needs to be revised drastically, if not eliminated altogether.

Few state and local sponsors fail to recognize the potential value of supplemental voc-ed funding. Some have cited advantages from having the participation and assistance of state voc-ed agencies in planning for voc-ed program activities. Others welcome the additional funding for vocational services, and indicate that even greater sums could be used effectively should they become available. The great majority, however, also identify bizarre experiences with five percent grant utilization -- most of them attributable to the convoluted nature of planning and program implementation now required.

The experience to date indicates that whether or not Section 112 had required CETA sponsors to coordinate voc-ed planning with state voc-ed agencies and to use the instructional services of state voc-ed systems, most would have done so anyway. Many sponsors are presently spending much of their regular Title I allocations for such services under direct contract with local voc-ed

institutions. And yet, many prime sponsors, state voc-ed personnel, and local voc-ed administrators agree that the present five percent pass-through system is frequently counterproductive.^{8/}

Field researchers for this project agree that there may be no universally acceptable "model" solutions to present voc-ed problems, and that one of Section 112's major limitations is that it attempts to prescribe a single universal procedure for application in all states. As presently written, Section 112 fails to consider that state voc-ed organizational structures vary considerably, and that state voc-ed agencies' expertise, effectiveness, and ability to influence local training institutions also vary.

Among the alternatives suggested by project staff, several of the following may be of interest to national policymakers:

- 1) Incorporate Section 112 funds into Section 106, leaving subsequent application to the discretion of governors and SISCs.
- 2) Incorporate Section 112 funds into Section 106, but continue to specify a minimum percentage that prime sponsors must spend for voc-ed instructional services while reserving another minimum percentage for state voc-ed agencies to provide coordinative and administrative services.

8/A September, 1976 report from the HEW Office of Education CETA Coordinating Unit found that (1) state voc-ed agencies were seldom involved in CETA activities outside of Section 112; (2) state voc-ed officials had little or no knowledge of specific training activities under Title I; (3) Section 112 regulations on allowable administrative costs were unclear; (4) prime sponsors were not responsive in finalizing non-financial agreements; and (5) there was a need for federal regional officials' guidance on implementation procedures for voc-ed activities under CETA.

A July, 1976, report from the National League of Cities/US Conference of Mayors found that while prime sponsor/state voc-ed relations had generally improved during Fiscal 1976, differences in philosophy, continued turf protection, and controversy over allowable uses of funds remained significant problems. The NLC/USCM report and an independent study by Urban Management Consultants of California noted that while both the CETA and the voc-ed systems seek to train "those in need," they have different definitions of who needs services most, they each use different data in planning services, and they operate under different reporting requirements.

- 3) Incorporate prime sponsors' shares of five percent funds into their regular Title I allocations, reserve 20% for state voc-ed agencies to offset the costs of assisting prime sponsors who request their services, and require that prime sponsors commit a minimum of 10% of all Title I funds to voc-ed training without specifying presumptive recipients.
4. Retain Section 112, but revise guidelines to define specific roles and responsibilities for state voc-ed agencies, to clarify permitted uses of five percent funds, and to establish a locus of voc-ed decisionmaking responsibility.
- 5) Provide voc-ed funds directly to prime sponsors with no strings attached.
- 6) Provide funds directly to local voc-ed institutions, and permit prime sponsors to negotiate directly with local institutions for the delivery of instructional services.

As a general observation, it appears that five percent of CETA Title I funding constitutes an inadequate amount of money to have significant influence upon the respective states' voc-ed systems. For better or worse, vocational training now rendered under CETA five percent grants is highly traditional and generally offers few linkages between skills development and opportunities for employment. (See page 64 of text.)

Whatever the national response to problems now associated with special voc-ed grants, it appears highly unlikely that either the elimination or the substantial revision of Section 112 would cause prime sponsors to disassociate themselves from state voc-ed agencies or local training institutions perceived as delivering useful services. Many state and local prime sponsors have come to view their state voc-ed agency representatives as useful assistants in planning and negotiating for training services, and those relationships should not be destroyed. However, there are clear indications in other states and localities that prime sponsors are more effective in dealing independently with local training institutions than in dealing with the same organizations under present five percent grant constraints.

In cases where present voc-ed systems appear to be making little contribution to improved service delivery, federal law and policy should allow states and localities to make their own independent choices on voc-ed administration, training institutions, and policies needed to achieve CETA's legislative intent.

There is a need to shift the focus of voc-ed attention from matters of form to matters of substance. With attention now largely centered on nonfinancial agreements, restrictions on funds, and the mechanics of having programs start on time, state sponsors and voc-ed agencies have given little attention to matters of program content, adequacy of training, quality of instruction, or linkages between training and jobs. In most states, neither the state sponsor nor the state voc-ed agency keeps track of the combined five percent and Title I CETA voc-ed effort. Typically, SMSCs and state vocational education boards are no more than passive observers of a system that seldom works well, and often appears not to work at all.

Federal policymakers may also want to consider requiring certain minimum levels of performance monitoring and documentation of CETA voc-ed programming results for use in future decisions required of state and local sponsors.

E. CETA and the Employment Service

Although not a part of the work specifically assigned under this project, field researchers were able to observe and document CETA/ES developments that may take on particular significance in view of some recent national attention to possible consolidation of the two systems.

In three states -- California, Georgia, and Kansas -- field researchers noted that CETA and ES are closely tied, with ES having primary responsibilities

in California and Georgia for b-o-s prime sponsor duties as well as for SMSC support and for governors' special grants.* Other states, including Illinois and Texas have few systemic ties with ES, and no contracts for ES to provide statewide CETA services.

While there is good reason to support national policy aimed at bringing the two systems into convergence to meet common goals, recent experiences in the states of California and Georgia may provide policymakers with operating laboratories for considering the wisdom of a single agency having simultaneous responsibilities for SMSC support, for special grants administration, for balance-of-state prime sponsor planning and management, for the delivery of CETA services in numerous localities, for fiscal management and record-keeping, for statewide monitoring and evaluation, for CETA reporting to higher authorities, and for the full range of services embodied in the Wagner-Peyser Act.

SMSCs may face distinct operational disadvantages when lodged within ES agencies and staffed by ES personnel. As employees of interested agencies, SMSC staff in those states encounter both perceived and real conflicts of interest when attempting to monitor, evaluate, plan for the use of funds, or otherwise assist other agencies and other sponsors. When CETA special grants funds are heavily used by an ES agency responsible for special grants planning, suspicions can be aroused regardless of the legitimacy of the eventual services.

Further, as line agencies of state government, ES organizations have often proved to be inept in dealing with other state agencies -- partly because of competing interests, and partly because line agencies of state government are usually poor coordinators of other agencies considered to be their equals.

*In Kansas, CETA, ES, WIN, and U/I co-exist within the Division of Employment, State Department of Human Resources. Under that arrangement, ES and CETA units have begun to develop closer working ties while each has retained functional independence.

There is much to suggest that, in some states, present ES capabilities fall far short of those needed to operate effective statewide CETA programs. In others, the operational capacity is evident and is being used. However, even in those states where ES operations appear to be smoothest, field researchers agree that to place SMSC support responsibilities and other special CETA functions within ES would likely impede the successful execution of state sponsor duties under Sections 106 and 107. National policymakers should therefore proceed with due caution in this area.